ANNUAL REPORT **2013**

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AYGAZ IN BRIEF

FROM THE MANAGEMENT

2013 OVERVIEW

SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

Financial and operational outlook

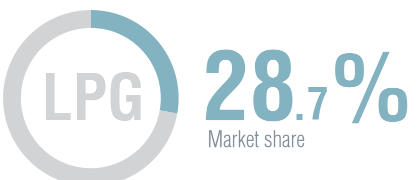
Summary Financial Indicators

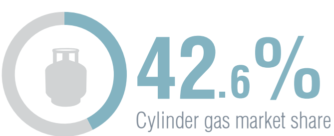
(TL Millions)

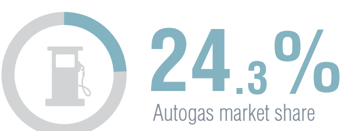
	2013	2012	2011	2010	2009	Change over the last year %
Sales revenues	**6,005**	5,586	5,456	4,658	3,761	7%
Gross profit	**571**	521	478	501	553	10%
Operating profit	**170**	206	371	231	343	-17%
Pre-tax profit	**237**	345	419	283	374	-31%
Net profit	**205**	305	380	239	315	-33%
EBITDA	**252**	285	456	320	440	-12%
Gross profit margin	**10%**	9%	9%	11%	15%	1
Operating profit margin	**3%**	4%	7%	5%	9%	-
Net profit margin	**3%**	5%	7%	5%	8%	-2
EBITDA margin	**4%**	5%	8%	7%	12%	-1
Current assets	**867**	692	783	1,088	854	25%
Fixed assets	**2,321**	2,264	1,929	1,716	1,751	3%
Total assets	**3,188**	2,956	2,712	2,804	2,605	8%
Short term liabilities	**667**	443	439	571	559	51%
Long term liabilities	**278**	133	118	219	289	109%
Shareholders' Equity	**2,244**	2,381	2,155	2,014	1,757	-6%
Total liabilities	**3,188**	2,956	2,712	2,804	2,605	8%
Return on equity (ROE)	**9%**	13%	18%	12%	19%	-4
Net Debt/Equity ratio	**3%**	*	*	*	2%	*
Current ratio	**1.30**	1.56	1.78	1.90	1.54	-0.26

* The Company has net cash position.

Market Shares

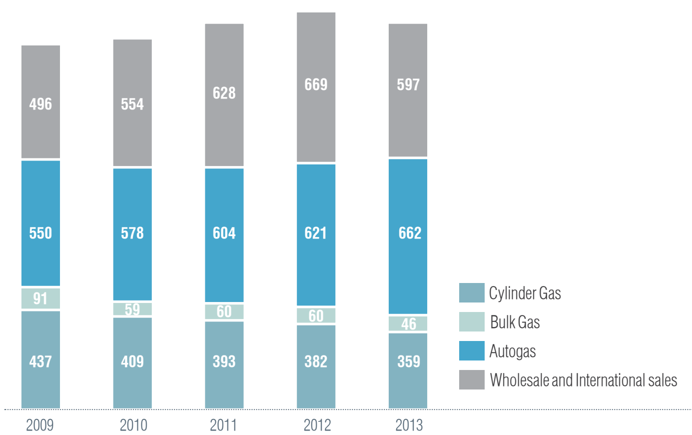




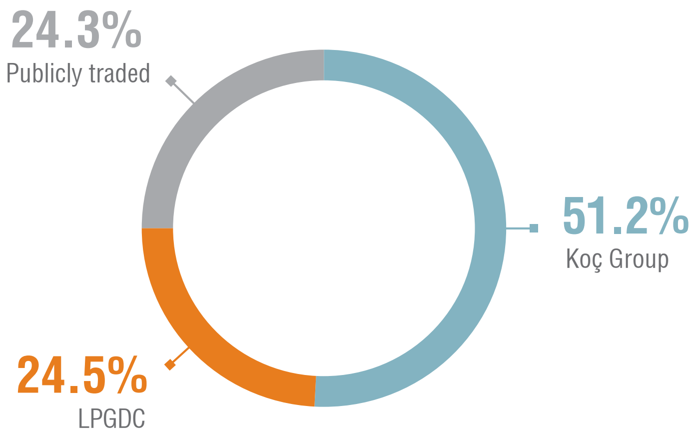


LPG Sales Volume by Segments

(000) Ton



Capital Structure



Subsidiaries&Affiliates

akpa — 100%

Engaged in the direct sale of cylinder gas and carboy water throughout Turkey, Akpa A.Ş. also carries out fuel trade at its fuel stations in the region of Mid-Anatolia. Akpa A.Ş. also provides room equipment, central air-conditioner systems, electrically-powered and gasoline-powered service vehicles to hotels, holiday camps, golf facilities, and hospitals. Operating in its sector for about half a century, Akpa is one of Turkey's largest sales and marketing organizations in its field.

Anadoluhisarı, Kandilli, Kuleli, Kuzguncuk — 100%

As Turkey's largest LPG logistics operation, Aygaz owns four tanker companies in which it maintains a 100% shareholding. Anadoluhisarı Tankercilik A.Ş. carries out LPG marine transportation with three companies under its management, Kandilli, Kuleli and Kuzguncuk, each operating with ships of the same names, as well as with a fourth ship named Beylerbeyi owned by the company.

AYGAZ DOĞALGAZ — 99%

Aygaz Doğal Gaz, an Aygaz subsidiary that was founded in 2004, operates in the business of the wholesale and delivery of natural gas to eligible consumers via pipelines, and wholesale and delivery of LNG to users who cannot access natural gas via pipelines through specially designed transport vehicles. Basing its operations on the vision of becoming a diversified player in the natural gas market, Aygaz Doğal Gaz is closely attuned to the dynamics and opportunities of the market.

OPET AYGAZ GAYRİMENKUL — 50%

Opet Aygaz Gayrimenkul A.Ş. was founded on September 20th, 2013 as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş. to purchase real estate in various regions of Turkey and manage or lease these properties as fuel or autogas sales stations.

AESEntek — 25%

AES Entek operates three natural gas plants, two medium-sized and one small, with a total electricity production capacity of 302 MW, in addition to three hydroelectric power plants with a total capacity of 62 MW. Aygaz has a 24.81% share in AES Entek, whose other partners are Koç Holding and the international energy company AES. AES Entek continues to closely pursue various investment opportunities with the goal of expanding the electricity generation business.

EYAŞ — 20%

Founded in 2006, Enerji Yatırımları A.Ş. owns 51% of the shares of Tüpraş, Turkey's largest industrial corporation. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As Turkey's only producer in the refining sector, Tüpraş engages in refining, distribution, petroleum and product marine transport. With an annual crude oil capacity of 28.1 million tons, Tüpraş is Europe's seventh largest refining company.

Highlights in 2013

JANUARY

- The process of the merger of the Mogaz Company and Aygaz was completed with the registration of the procedures at the Istanbul Trade Registry.
- Aygaz signed its name to the Declaration on Energy Efficiency in Buildings drawn up by the Sustainable Development Association at the 4th Annual National Energy Efficiency Forum and Fair.
- The 12th product of the Aygaz Library project, Human Images from Anatolia in the Pre-classical Era, was presented to culture and history enthusiasts at an exhibit held at the Aygaz Headquarters building.

FEBRUARY

- Aygaz won the Gold Award in the "Direct Marketing" category at the Mixx Awards with the interactive applications it generated for its autogas conversion and maintenance campaigns.

MARCH

- Aygaz won recognition at the "TSE Quality Awards" ceremonies held on March 15th, World Consumers Day, when it was given a Silver Award for the ISO 9001 Quality Management System Certificate that it has held since 1995.
- Aygaz hosted the members of the Aygaz Conversion Club as well as the dealers and sector representatives at its stand at the Gas Turkey Fair.

APRIL

- The Aygaz 52nd Ordinary General Meeting of Shareholders took place at the Headquarters building at Zincirlikuyu, Istanbul.
- Aygaz was honored with a Silver Effie at the 2013 Effie Turkish Advertisement Event for its "Git Git Bitmez" (The Never-ending Road) advertising campaign, and with a Bronze Effie for the Aygaz Autogas advertising campaign "Takip" (Tracking).

- Aygaz participated in the 11th Annual International Petroleum, LPG, Lube Oils Equipment and Technologies Fair, Petroleum Istanbul 2013.

MAY

- The advertising campaign "Uzaktan Kumanda" (Remote Control) was launched to emphasize Aygaz Otogaz's product performance and its status of being the most preferred brand in Turkey for more than 1 million consumers.

JUNE

- Aygaz achieved another "first" when it became the first company to receive a "Customer-Friendly Brand and Customer-Friendly Enterprise" certificate, a brand recognition launched by the Turkish Standards Institute.
- The Gebze Facility completed the delivery to Libya of 500,000 household cylinders of gas produced as part of the contract signed in January.
- A regional dealer meeting was organized in Trabzon.

JULY

- According to the evaluation made by the Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri Company (Saha Corporate Governance and Credit Rating Services), Aygaz was elevated from a corporate governance rating of 8.96 to 9.27, the second highest rating in Turkey.*
- Çim Oto (Grass Car), one of the symbols of the Autogas Awareness Campaign, took to the road for a tour around Turkey, starting off at Edirne's Kırkpınar Festival.
- The Diabetic Children's Camp organized through the sponsorship of Aygaz brought together diabetic children from all over Turkey for the 21st time on July 7th-13th.
- Regional dealer meetings were organized in Bursa, Adana and Denizli.

* Information about the revision of March 3rd, 2014 can be found on page 63 under the heading, 'Other Matters'.

AUGUST

- The Aygaz Summer Festival, which began in Çanakkale on August 16th, provided the public with events at 13 different locations in Turkey.
- A regional dealer meeting was organized in Aydın.

SEPTEMBER

- Opet Aygaz Gayrimenkul A.Ş. was established as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş.
- The advertising film "Kışa Özel Aygaz Otogaz" (Aygaz Otogaz Specially for Winter) won a Crystal Apple at the 25th Annual Crystal Apple Creativity Awards organized by the Advertisers Association, while the film "Aygaz Otogaz Uzaktan Kumanda" (Aygaz Otogaz Remote Control) collected a Silver Apple.
- The project which publicized new conversion and maintenance campaigns of Aygaz Conversion Club on digital platforms, won a Crystal Apple in the "Best Digital Channel Application" category, while the sahibinden.com application, another Aygaz Conversion Club campaign, was honored with a Bronze Apple in the category of "Digital Advertising Applications”.

OCTOBER

- Aygaz participated in the 26th Annual World LPG Forum in London, where it hosted Princess Anne Elisabeth Alice Mountbatten-Windsor at the Aygaz stand.

- The presentation and project entitled, "Camping Cylinder Model Determining System" of the Aygaz R&D Department won the "Runner Up 2013 WLPGA Innovation Award."
- The 2012 Aygaz Annual Report was deemed worthy of winning a Bronze prize in one of the most comprehensive awards programs in the world, the International Stevie Awards.

NOVEMBER

- Aygaz won a second prize in the category of Integrated Online Media Campaigns with its "Autogas Conversion and Maintenance" campaign at the Direct Marketing Awards organized by the Direct Marketing Communicators Association (DPİD), and third prize in the Loyalty Applications category for its "Mehmetçik Foundation Donation Campaign".
- The Aygaz Autogas Conversion and Maintenance Campaign was honored with two achievement awards at the MediCat Felis Awards in the categories of "Best Use of the Direct Marketing Media" and "The Most Creative Digital Channel Application."

DECEMBER

- The new user-friendly Aygaz website www.aygaz.com.tr was launched.

- Aygaz became a sponsor for the Beşiktaş Sports Club's Handball Team, becoming the first company in Turkey to sponsor this sports branch.

Milestones

1961
> Aygaz begins operations under the trade name Gazsan Likit Gaz Tic. ve San. A.Ş.

1962
> The Yarımca Filling Facility is established next to the İzmit İpraş Refinery, and then LPG filling and distribution is launched.

> Groundbreaking for dealership network.

1963
> The company's trade name is changed from Gazsan to Aygaz A.Ş.

> The first Aygaz ad campaign is "40 TL in cash, 40 TL in installments".

1965
> First publicity and promotion campaign: French fries are cooked on an Aygaz fryer in a delivery truck and distributed to the public.

1967
> Ambarlı Filling Facility is established.

> M/T Aygaz, Turkey's first LPG vessel, leaves port for the first time.

1970
> A total of five filling facilities, including the Aliağa Filling Facility, are in operation.

> Aygaz begins selling chemicals.

1976
> All Aygaz management units are consolidated in one location at the new headquarters in Zincirlikuyu, İstanbul.

1982
> The "blue seal lid", a symbol of Aygaz' safety for cylinders, is launched.

1984
> First Aygaz mobile heater is produced.

1985
> Transit LPG purchase and sales agreement is signed with Iraqi state oil company SOMO.

1988
> Modernization of Aygaz dealers in order to better serve customers begins.

1989
> Aygaz designs the "Gavdem Machine", the first LPG equipment to change valves without releasing gas.

1993
> Twelve-kilogram tall residential cylinders and 24 kg commercial cylinders are put on the market.

> The "Aygaz jingle" is played on urban delivery trucks' loudspeakers and creates a new media platform for marketing, a first for the market.

1995
> Aygaz Hotline is launched to provide information to consumers on Aygaz products and services.

> Occupational Health and Safety Management System is launched.

> Dealers start using Computerized Customer Code System.

1996
> Guaranteed seal cap is introduced for cylinder gas.

1997
> Aygaz 24 service and the Automatic Tank Ordering System are initiated.

1998
> Aygaz revamps its corporate image and identity. New logo introduced with the first Turkish zeppelin.

> Aygaz enters the autogas market.

> Framework agreement signed with Opet.

> The launch of the new social responsibility campaign, "Aygaz Warns About Accidents at Home"

1999
> Aygaz becomes the first LPG company to obtain ISO 9002 Certification.

> Aygaz introduces the Electronic Gas Control Detector in Turkey for the first time.

> Aygaz Patio Heater is introduced to the market.

> The Aygaz propane industrial cylinder starts a revolution in propane.

2000
> Aygaz receives an award for being the Turkey's Most Successful LPG Company in the Petroleum'99 Achievement Awards.

2001
> Aygaz A.Ş. and Gaz Aletleri A.Ş. (Gazal) are merged under the Aygaz brand; all operations from production to sales are united in a single organization.

> Turkish customers are introduced to Turkey's first autogas brand to meet European standards: OTOAYGAZ LPG1, designed just for automobiles.

2002

> The "Cautious Child - Raising Accident Awareness Campaign" is launched.

2004

> Aygaz Euro LPG is put on the market.

2005

> Aygaz differentiates itself in terms of cylinder gas safety by launching the first hologram cap application in the LPG sector.

2006

> The Turkey Customer Satisfaction Index (TMME) conducted by KalDer (Quality Association of Turkey) ranks Aygaz number one for four consecutive quarters.

> For the first time in Turkey, Aygaz offers consumers the option of purchasing cylinders via credit card or with loyalty points at their home.

2007

> A special forklift tank is produced for forklifts used extensively in factories and industrial establishments.

> Renovation is carried out on 81 community health clinics in 81 provinces as part of a project called "Moonlight: Aygaz brings the light of health".

2008

> Aygaz wins third place in the Management category at the EU Environment Awards.

> Aygaz ranks among the top five companies in Turkey in terms of financial transparency according to a report by Sabancı University and Standard & Poor's.

> Aygaz is rated the one of the four best brands in Turkey and the best brand in the LPG sector according to GfK Turkey's "Best Brands" study.

2009

> Aygaz increases its stake in the Koç Statoil Gaz Company to 98% and changes the name of the company to Aygaz Doğal Gaz.

> Aygaz Euro LPG+, Turkey's first autogas with additives, is put on the market.

> www.aygaz.com.tr is awarded the Superb Achievement award at the Interactive Media Awards competition.

2010

> Aygaz receives a Corporate Governance Rating score of 8.46.

> The social responsibility campaign"What Will the Weather Be Tomorrow?" is initiated against climate change.

> Aygaz receives the first prize in 'Performance Management' in the "2010 Human Management Awards" organized by Turkey Personnel Management Association (PERYÖN).

2011

> Aygaz celebrates its 50th anniversary through a series of events with participation of its employees, dealers and industry representatives.

> Aygaz receives an impressive total of 14 awards given by national and international institutions.

> Aygaz breaks more ground in the LPG sector by obtaining the ISO 10002 certificate, recognizing the company's excellence in resolving customer demands.

2012

> Aygaz is selected the "Most Admired Company" in the LPG sector in Capital Magazine's Survey of the Most Admired Companies in Turkey.

> Aygaz wins a prize for being the "Company to Adopt the Principle of Consumer Satisfaction" at the 15th Annual Traditional Consumer Awards organized by the Turkish Customs and Trade Ministry.

VISION

To be the leading company providing energy solutions to Turkey and other potential markets, particularly in LPG and natural gas

MISSION

To offer the best products and services in every field it operates, particularly in LPG, by prioritizing high quality and safety standards with working principles adopted from corporate values of the Koç Group and by always being responsive to society and the environment

STRATEGIC PRIORITIES

Sustaining market leadership in LPG through;

- Product differentiation and innovation for autogas
- Further penetration by opening new autogas stations
- Growth prospects for cylinder gas in rural Turkey

Utilizing and enhancing asset portfolio through;

- New acquisitions, mergers, and investments
- Profit generating opportunities

Our source of energy:
A friendship spanning the years


FRUIT
POIRE

Report of the Board of Directors and Message from the Chairman

There have been many developments in the world and in Turkey that have had an impact on the business environment and on the social sphere. As in years past, Aygaz was able to foresee the prospects ahead and take the necessary steps to achieve positive results, thus continuing to add value for all of its partners and stakeholders with its goals of productivity and profitability.

Dear Shareholders,

Welcome to the Company's General Meeting of Shareholders for 2013. I extend my warm greetings and respects to all of you on my own behalf and in the name of our Board of Directors and hope that we will have a fruitful meeting.

There have been many developments in the world and in Turkey that have had an impact on the business environment and on the social sphere. As in years past, Aygaz was able to foresee the prospects ahead and take the necessary steps to achieve positive results, thus continuing to add value for all of its partners and stakeholders with its goals of productivity and profitability. At this time, I take great pleasure in sharing with you this report on the financial and operational results of the Company.

Before we begin to review the Company's business results, I would first like to take this opportunity to share with you my thoughts on the events taking place around the world and in Turkey.

Despite the residue of risks in the financial sector left over from the global crisis that upset all international balances, these risks are receding slowly, leading the way to a cautious growth, however weak it may seem to be at this point.

Developing countries, including Turkey, benefited significantly from the monetary expansion of the last 3-4 years. Important investments were realized in this period. In particular, there was an increase in consumer spending and a rise in the standard of living in parallel to the economic growth seen in the developing countries.

While the US accelerated its own economic growth through its strategy of monetary expansion, it gave other economies room in which to recover, although now, it is gradually abandoning its policy of abundant and cheap liquidity. While in recent years, the main element in growth had been the developing countries, the fact that it was the developed countries this time, particularly the US, which proved to be the source of the growth, created a risk for countries with weak economies.

While uncertainty in many areas and fluctuations were the highlights of 2013 in developing countries, it is worthy of note to point out that Turkey completed the year with a growth performance of close to 4%.

After these observations, I would like to evaluate last year according to the LPG market in which our Company operates, and to our Company. With a volume of global business of an annual USD 300 billion, the LPG sector meets the energy needs of 3 billion people. As the most preferred alternative fuel in the market, the consumption of LPG compared to other types of energy is steadily growing. The Turkish LPG sector, with its 3.7 million ton market, is one step ahead of the others with its current infrastructure, regulatory authorities, mature market dynamics, competitive brands, the importance placed on innovation, and most vital of all, its customer-focused approach.

In 2013, Aygaz sales in all sub-segments of the domestic market reached a level of 1.1 million tons and, with its 28.7% share, the Company maintained its leadership in the market. When wholesale and international transit sales are included in the picture, Aygaz boasts a total volume of trade of 1.7 million tons. Aygaz strengthened its position by increasing its share in the expanding autogas market in the face of contractions in the cylinder gas and bulk gas sub-segments of the industry. It is striking to note that in a period in which the LPG market in Turkey was exhibiting contraction, a development contrary to the trend in the rest of the world, Aygaz succeeded in achieving an increase in its market share.

Besides its main area of business, LPG, Aygaz has exhibited high performance with its affiliates. Aygaz's turnover has climbed by 7.5% to 6 billion Liras.

In 2013, Aygaz completed its merger with Mogaz, where it had maintained a majority shareholding. In an effort to increase productivity, the combined company achieved significant savings in many of its operational spheres, from human resources to marketing campaigns, from facility capacity utilization rates to logistic optimization.

In addition to its current dealership organization, Aygaz joined in the Opet-Aygaz Real Estate Partnership with a 50% share with the objective of increasing its competitive power by investing in real estate to set up stations in strategic locations. Up until now, 14 stations have been purchased.

Aygaz also displayed positive results in 2013 in other fields in which it operates. Our subsidiary Aygaz Doğal Gaz particularly stood out with its successful results, most noticeably in pipeline gas, as it raised the level of its business volume from 183 million cubic meters in 2012 to 491 million cubic meters in 2013. The company plans to raise this figure to 1 billion cubic meters in 2014 and its contribution to our consolidated turnover and profitability is steadily increasing.

Our affiliate, AES Entek, continues ahead by reorganizing and adding new power stations running on water and coal to its portfolio. The project for a 225 MW natural gas combined cycle plant that will generate energy for the Tüpraş refinery in Kırıkkale as well as the project for the 625 MW coal power plant in partnership with the Oyak Group are ongoing.

Akpa, in which we hold a majority share, increased its sales tonnage in 2013, and also significantly expanded the borders of its distribution activity. It continued to be one of the biggest sales and marketing companies in its field this past year.

Aygaz reinforced the achievements it attained in 2013 through the awards it received both in and outside of the country. It was crowned and certified by the Turkish Standards Institute as a "Customer-Friendly Enterprise and a Customer-Friendly Brand." Raising its corporate governance rating from 8.96 to 9.27, it maintained its position once again of being among the first group of corporations with the highest ratings in the World Corporate Governance Index, which covers 150 countries.

The company's positive results and the investments it has made in social development have given Aygaz a rightful prestige. As a consequence, the company continued in the past year to support numerous projects that encompassed areas from the environment to health, from the education to culture and the arts.

I would like to take this opportunity to thank all of our employees, dealers, suppliers, customers and shareholders, all of whom have contributed their share to the Aygaz business results of this past year. In hopes that I may announce to you positive results next year as well, I extend you my warm greetings and regards.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board of Directors

Board of Directors

RAHMİ M. KOÇ

Chairman of the Board of Directors

Mr. Koç completed his graduate studies in Industrial Management at Johns Hopkins University in the USA. He began his career in 1958 at Otokoç. In 1960, he was appointed to Koç Ticaret A.Ş., which represented the Koç Group in Ankara. In 1964, he was appointed as the General Coordinator of Koç Holding A.Ş. Subsequently, he served as Chairman of the Executive Committee in 1970, Deputy Chairman of the Management Committee in 1975, and Chairman of the Management Committee at Koç Holding A.Ş. in 1980. From 1984 to 2003, he carried out the duties of Chairman of the Board of Directors of Koç Holding A.Ş. Rahmi M. Koç served as the President of the International Chamber of Commerce from 1995-1996. He has been serving as the Honorary Chairman of Koç Holding A.Ş. since 2003 and has been the Chairman of the Board of Directors at Aygaz A.Ş. since 1996.

ÖMER M. KOÇ

Vice Chairman of the Board of Directors

Mr. Koç graduated from Columbia College (USA) with a B.A. in 1985. He started his professional career in 1985 working as a sales representative at Kofisa Trading Company in Switzerland. From 1989 to 1990, he worked as a sales representative at Ramerica Int. Inc. in New York and then became a manager at Gazal A.Ş. in 1991. Ömer M. Koç then served as Financial Coordinator at Koç Holding A.Ş. from 1992 to 1996, Energy Group Vice President from 1996 to 2000, and President of the Energy Group from 2000 to 2004. Ömer M. Koç, the Vice Chairman of the Board of Directors at Koç Holding A.Ş., has been on the Board of Directors at Aygaz A.Ş. since 1996, and has been the Vice Chairman since 2001.

ALEXANDRE F.J. PICCIOTTO

Member of the Board of Directors

Mr. Picciotto is one of the grandsons of Mr. Hillel Picciotto who established Aygaz in 1961 with Mr. Vehbi Koç. Graduated from Ecole Supérieure de Gestion (Paris) in 1990, he started his career in Orfim, the investment company of his family in Paris, France. From 1990 to 2003, he managed different subsidiaries operating in various fields including real estate, movie business and watch industry. In 2003, he was appointed General Manager at Liquid Petroleum Gas Development Company, the Picciotto family owned company, which is historical shareholder of Aygaz. Then he was appointed General Manager at Orfim in 2008. Mr. Picciotto is also member of the board of directors at various companies in both Turkey and France. He has been serving on the Aygaz Board of Directors since July 2012.

DR. BÜLENT BULGURLU

Member of the Board of Directors

After completing his higher education at the Ankara College of Engineering and Architecture, he continued on to a doctoral program at the Norwegian University of Science and Technology. Dr. Bülent Bulgurlu began his career working as a civil engineer at Elliot Strömme in Oslo in 1972. From 1977 to 1979, he worked as a civil engineer at İntes A.Ş. After working at Garanti İnşaat A.Ş. as Engineering, Planning and Construction Manager, Work Site Coordination and Construction Manager, Assistant General Manager and General Manager, he started working at Koç Holding A.Ş. in 1996 as Vice President of the Tourism and Services Group. Dr. Bulgurlu became President of the Tourism and Services Group in 2000 and President of the Tourism and Construction Group in 2001. In 2004, Dr. Bulgurlu was President of the Durable Consumer Goods and Construction Group and served as the CEO of Koç Holding A.Ş. from 2007 to 2010. Dr. Bülent Bulgurlu has been serving on the Aygaz Board of Directors since 2008.

OSMAN TURGAY DURAK

Member of the Board of Directors

Mr. Durak completed his graduate work at Northwestern University (USA) obtaining a Master's degree in Mechanical Engineering. He joined the Koç Group as a product development engineer at Ford Automotive in 1976, and in 1986, he was promoted to Assistant General Manager. In 2000, he became the Chief Assistant General Manager, and in 2002, he became the General Manager at Ford Otosan. From 2007 to 2009, he served as the Koç Holding Automotive Group President, and from May 2009 to 2010, he served as the Deputy CEO for Koç Holding. He was appointed as the CEO in 2010. He has been a member of the Koç Holding and Aygaz A.Ş. Board of Directors since 2010.

EROL MEMİOĞLU

Member of the Board of Directors

Mr. Memioğlu graduated from the Petroleum Engineering School at Middle East Technical University. He began his career in 1979 as an expert engineer at Turkish Petroleum Corporation (TPAO) and went on to become a Production Manager and then President of the International Projects Group at the same company. He joined Koç Holding A.Ş. in 1999 as Vice President of the Energy Group, and then served as Executive Member of the Board of Directors of the Koç Holding A.Ş. Energy Group from 2003 to 2004. Mr. Memioğlu has been President of the Koç Holding A.Ş. Energy Group and a Member of the Aygaz Board of Directors since May 2004.

AYŞE CANAN EDİBOĞLU

Member of the Board of Directors

Ayşe Canan Ediboğlu completed her high school education at Ancaster House School and her graduate studies at Southampton University (UK) obtaining a master's degree in financial control and management. Following her studies at the same university as a Research Assistant, she continued her professional life as Planning Manager at Shell in 1980. Assuming various responsibilities at Shell Turkey, she was appointed as General Manager in 2002 and the Country Officer in 2006. She served as a Board Member at Shell-Turcas Petrol A.Ş. from 2006 to 2009. Ayşe Canan Ediboğlu has been serving on the Aygaz Board of Directors since 2012.

TUNÇ ULUĞ

Member of the Board of Directors

Tunç Uluğ completed his graduate degrees at Robert College Engineering School and Columbia University (USA). He joined Koç Group in 1969 at Aygaz A.Ş. as Assistant General Manager. He was appointed as General Manager at Tat A.Ş. in 1976 and at RAM A.Ş. in 1979. At Koç Holding, he served as the Vice President of Energy and Trade Group between 1981-1985 and as the President of Foreign Trade Group between 1991-1997. After serving as a Member of Yaşar Holding Board of Directors between 1997-2000, Tunç Uluğ is now offering consultancy to various firms since 2001. Tunç Uluğ has memberships from DEIK, TESEV and Turkey- Switzerland Trade Office. He has been serving on the Aygaz Board of Directors since 2012.

MANSUR ÖZGÜN

Member of the Board of Directors

Mansur Özgün graduated from Ankara Economic and Commercial Sciences Academy. He started his career in 1958 at the Directorate General of Foundations and betwen 1963-1971 he worked at the Ministry of Finance. He joined Koç Group in 1971 at Koç Holding as Assistant Finance Manager. He was appointed as Assistant General Manager at Ormak A.Ş. between 1973-1974. He served as Finance Coordinator at Koç Holding between 1984-1999. After 1999, he worked as a chartered accountant. He has been serving on the Aygaz Board of Directors since 2012.

Message from the General Manager

Despite the contractions in the total LPG market, Aygaz's turnover, operational profit and export goals were exceeded in 2013, with operational profitability being maintained at the level of last year.

Dear Shareholders,

We've left another successful year behind, generating value for our stakeholders in the face of rapid changes and uncertainties in the world economy and in Turkey's markets. Despite the contractions in the total LPG market, Aygaz's turnover, operational profit and export goals were exceeded in 2013, with operational profitability being maintained at the level of last year.

At the beginning of 2013, we completed our merger procedures with our subsidiary Mogaz. The merger not only increased productivity, but also afforded us flexibility in our processes. The sales operations of the company, which had been managed on a brand basis, began to be managed on a product basis, allowing us to capture a significant edge over our competitors. This reorganization provided us with the opportunity to react rapidly to every step our competitors took, and by developing our processes, we were also able to further increase the quality of the service we offer our dealers and our end-customers. We foresee that the positive echoes of the merger will continue to be increasingly reflected upon our business results.

Our portfolio in the energy sector, with the inclusion of all of our subsidiaries and the other investments in which we are shareholders, is impressive. We are happy once again in 2013 to be reaping the fruits of the work we have undertaken in these fields over the years.

The results of our work reflected in our financial statements are a source of pride for all of our stakeholders. The Company's consolidated turnover has reached TL 6 billion. Our operational profit is now TL 170 million and our international sales stand at USD 321 million. With Aygaz, Mogaz and Lipetgaz brands, market shares of 42.6% in the cylinder gas and 24.3% in autogas is held, and the Company continued to lead all of the segments of the LPG sector. At a time of contraction in the total Turkish LPG market, Aygaz attracted attention when it succeeded in increasing its market share in the growing autogas market.

While taking steps to expand and strengthen its dealership network, Aygaz also established a real estate company together with Opet for the purpose of purchasing property to set up stations at strategic locations. Investing in 10 separate station locations in 2013, Aygaz plans to add more stations to this number soon.

Aygaz Doğal Gaz enhanced its total volume of business two-and-a-half times in 2013 with the medium and long-term agreements it signed, achieving a level of 491 million m^3. The increase in pipeline gas sales from the level of 55 million m^3 in the previous year to 366 million m^3 this year played a role in this expansion. We plan to carry this volume to 1 billion m^3 in 2014. Our ultimate goal is to be a major player in Turkey's steadily growing natural gas market.

Our affiliate in the electricity sector, AES Entek, in which we have a shareholding, is taking the steps needed to enlarge its portfolio. Our project underway in Kırıkkale, the natural gas combined cycle plant that will be generating energy for the Tüpraş refinery, and the coal power plant undertaken in partnership with the Oyak Group are striking in this context.

We increased the number of our water sources in 2013 for the carboy water business that we entered with the Pürsu brand, capturing the opportunity to deliver our products on a broader base. The sales volume of our carboy water business increased by 18%, from 4.6 million units to 5.4 million units. Raising our share in the water business from 1% to 1.7%, we joined the ranks of the eight biggest brands in the sector. The role that Akpa, our company that distributes LPG, white goods as well as Pürsu to corporations, played in this story of success cannot be denied. Akpa additionally continued its operations by expanding to 12 provinces when it took over the direct distribution activities of Mogaz, achieving significant profitability and productivity.

Our Gebze Facility, where we undertake the production and sales of LPG pressure containers and accessories, topped its total exports in 2013 to a level of USD 36 million.

The successful business results Aygaz realized in 2013 were also reflected in areas outside of our balance sheets. The awards that we received from independent organizations as a result of their evaluations crowned our achievements. In the area of marketing, in addition to the MediaCat Felis, Effie, Crystal Apple, and Mixx Awards, we were acknowledged by the Turkish Standards Institute as a "Customer-Friendly Enterprise and a Customer-Friendly Brand." We raised our Corporate Governance rating from 8.96 to 9.27. We became the company with the second highest corporate governance rating in Turkey. We continue to occupy a place among the ranks of the group with the highest ratings in the World Corporate Governance Index, which covers 150 countries.

The expectations from Aygaz of the consumers who we serve and all the social stakeholders whose lives we touch grow even further every year. At Aygaz we continue to work and invest in social projects to fulfill these expectations and be worthy of the trust shown in our brands. Together with the companies of the Koç Group, we continue to work to raise awareness about disabilities, advancing our slogan "No barriers for my country" and taking the needed steps to raise the quality of life of the disabled people in our society.

I would like to thank all of our customers who have made Aygaz Turkey's most preferred LPG brand, all of our dealers, who have taken our products and services to all over our country with dedication, all of the Aygaz employees at all ranks, serving in every department, from logistics to production, from finance to marketing and sales, our suppliers, and our esteemed shareholders, who have never withheld their support. I am grateful to them all.

With best wishes and kind regards,

Yağız Eyüboğlu
General Manager

Executive Management

YAĞIZ EYÜBOĞLU

General Manager

Yağız Eyüboğlu started his professional life as a Management Trainee at Arçelik A.Ş. in 1991. In 1993, he was promoted to Koç Holding Headquarters, where he worked for more than 10 years, as Auditor, Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator respectively. Between 2004 and 2009, Eyüboğlu assumed several different responsibilities within the Koç Group, namely, CFO of Arçelik A.Ş., CEO and Board Member of Beko Elektronik A.Ş., Assistant to the President of the Koç Holding Foreign Trade and Tourism Group, and Human Resources Director of Koç Holding. Since 2009, Yağız Eyüboğlu has been the General Manager of Aygaz.

MEHMET TUFAN MUT

Assistant General Manager (Sales)

Mehmet Tufan Mut began his career as a newspaper reporter at Dünya newspaper in 1975. He then worked as a civil servant in the SSK Şişli Payment Office from 1977 to 1980. He began working at Aygaz in 1984, where he served as an Accountant, Assistant Marketing Chief, Vehicle Sales Supervisor, Marketing Group Supervisor, Assistant Regional Sales Manager, Assistant Sales Manager and Central Anatolia Sales Manager. Mr. Mut was appointed as the Assistant General Manager at Akpa A.Ş. in 2001 and served as the General Manager of Akpa A.Ş. from 2004 to 2008. Mr. Mut has been the Assistant General Manager of Sales at Aygaz since 2008.

GÖKHAN TEZEL

Assistant General Manager (Finance)

Gökhan Tezel began his career in 1993 as a finance expert at Tofaş A.Ş. and became the Finance Manager in 1998. In addition to this position, he also served as the General Manager of Koç Fiat Consumer Credit Financing A.Ş. Mr. Tezel has been the Assistant General Manager of Finance at Aygaz since December 1, 2009.

ALİ KIZILKAYA

Assistant General Manager (Technical Affairs and Investments)

Ali Kızılkaya began his career in 1988 as a Training Engineer at Bilar A.Ş. From 1992 to 1994, he worked as a Purchasing Engineer at Istanbul Fruehauf A.Ş. In 1996, he joined Aygaz A.Ş. and from 1996 to 2002 he served as the Bulk Gas Sales Supervisor in the Marmara Region and as the Purchasing Supervisor. In 2002, he served as the Lipet A.Ş. Operations Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager. Since 2008, Mr. Kızılkaya has served as the Aliağa Terminal Manager, and he was appointed as the Assistant General Manager of Technical Affairs and Investments in November 2010.

NURETTİN DEMİRTAŞ

Director (Affiliates and Accounting)

Nurettin Demirtaş began his career in 1986 in the Doğuş Financial Consultancy and Accounting Office. In 1988, he worked in the Accounting Department at Tekor Plastik A.Ş. He joined the Koç Group in 1989 and worked respectively as an Aygaz A.Ş. Accounting Specialist, General Accounting Department Administrator, Accounting Manager and Affiliates and Accounting Group Manager. In 2008, he was appointed as Director of Affiliates and Accounting.

AYŞE ABAMOR BİLGİN

Director
(Logistics)

Ayşe Abamor Bilgin began her career in 1998 as a Management Trainee at Aygaz A.Ş. Appointed as Procurement Manager in 2005, Ayşe Abamor Bilgin served as LPG Procurement and Trade Manager from 2008 to 2011. She serves as the Logistics Director since January 2012.

RAMAZAN PULAT OKTAY

Director
(Production)

Pulat Oktay began his career as an Engineer and Construction Site Foreman at Disa in 1988. He joined the Koç Group in 1991. From 1991 to 2001, he served at Gazal A.Ş. as a Project Engineer, Maintenance Engineer, Cylinder Production Method Process Specialist and Residential-Camp Cylinder Production Manager respectively. In 2001, he continued in his position as Residential-Camp Cylinder Production Manager after the merger of Gazal A.Ş. and Aygaz A.Ş. From 2003-2008, he worked as the Purchasing Manager. He was appointed to the position of Production Director in 2008.

AHMET ERCÜMENT POLAT

Director
(Marketing)

Ahmet Ercüment Polat began his career in 1995 as a Sales Engineer at Aygaz, and since 2004, he has served consecutively as the Trakya Regional Sales Supervisor, the Bulk Gas Sales Department Manager, the Bulk Gas Sales Manager and the Bulk Gas and Autogas Sales Manager. He served as the Akpa A.Ş. Branch Manager from 2004-2008 and as the Company Manager from 2008-2010. Since 2010, Ercüment Polat has served as the Aygaz Marketing Director.

ÖZGÜR ASENA YILDIRIM

Director
(Cylinder Gas Sales)

After beginning his career in 1988 as a Marine Mechanical Engineer at Türkiye Denizcilik İştemeleri, Mr. Yıldırım went on to work as a Marine Mechanical Engineer at Soh Trans Denizcilik, followed by Göksel Denizcilik. In 1993, Mr. Yıldırım began working as an Operations Engineer at Aygaz A.Ş., and then he worked as the Kırıkkale Facility Manager, Central Anatolian Bulk Gas Sales Manager, Çukurova Regional Sales Manager, Trakya Regional Sales Manager, Istanbul Regional Sales Manager and Marmara Regional Sales Manager. He has served as the Cylinder Gas Sales Director at Aygaz since 2010.

KENAN DENİZHAN EGE

Director
(Autogas Sales)

After beginning his career as a Quality Assurance Supervisor at Mutlu Akü in 1993, Mr. Ege worked as a Direct Sales Representative at ELF/ Selyak, Product Manager at Toprak Seramik, Regional Manager at ELF/Selyak and Regional Manager at FL/ Selenia respectively. In 2003, Mr. Ege began working as the Marmara Sales Manager at Opet Petrolcülük A.Ş., and from 2008 to 2010 he served as the Sales Group Manager at Opet Petrolcülük A.Ş. He serves as the Autogas Sales Director at Aygaz since 2010.


The extra performance
that millions prefer

Activities

Aygaz watches consumer needs closely to continuously develop the quality of its products and services in line with its innovative and responsible corporate identity.

A sector leader that adds value to life

Being the Koç Group's first company in the energy sector, Aygaz introduced Turkey to clean energy in 1961. The first publicly-traded company to be active in the LPG sector, Aygaz has steadily strengthened its pioneering status in the LPG industry, its core business, all through its more than half-century history. Thanks to the policies it has adopted for sustainable and steady growth, Aygaz is Turkey's 10th largest industrial company according to the 2012 rankings of the Istanbul Chamber of Industry, also ranking 22 in the Turkey Fortune 500 listings.

Aygaz, the leading brand in customer satisfaction, derives its competitive strength in the sector from its long established history, a developed corporate culture and its know-how. Aygaz watches consumer needs closely to continuously develop the quality of its products and services in line with its innovative and responsible corporate identity.

In its core business field, Aygaz distributes LPG as autogas, cylinder gas, and bulk gas, manufactures and sells LPG cylinders, tanks, valves and regulators, and also markets LPG-operated devices.

A broad distribution network embracing the country

The leader of the LPG sector, Aygaz works with its affiliates in an integrated structure of organization. Operating within this structure with the goal of achieving "firsts" in Turkey to meet the country's steadily growing energy needs, Aygaz is the energy sector's most reputable brand. With its dedication to corporate business culture and ethics, Aygaz has created a generic brand that continues to successfully signify safety and reliability. The Company seeks to expand Turkey's energy pool with future-oriented activities to bring the country sound and permanent solutions to its energy needs with a vision for producing alternative projects.

Aygaz has become synonymous with offering consumers the best products and services and in this effort, has become an indispensable part of everyday life with its 2,240 cylinder gas dealers and 1,530 autogas stations in 81 provinces, carrying the Aygaz quality of service to all corners of the country. Aygaz's nationwide distribution network delivers cylinder gas to 80,000 households daily, and more than 1 million vehicles run on the Aygaz's autogas product, Aygaz Otogaz.

LPG: Rising star of energy around the world

The consumption of LPG is on a growth trend around the globe. According to the data published by the World LP Gas Association (WLPGA) in 2013, in the last 10 years, global LPG consumption rose by 27%, corresponding to 54 million tons, increasing in 2012 by 1.8% over the previous year, reaching 264 million tons.

When the 1.5 billion people in the world who have not as yet been able to get acquainted with LPG are considered, it can be seen that there is a powerful potential for the global market in the next period. Moreover, within the framework of the efforts of the European Union to reduce harmful gas emissions, the goal of increasing the current share of LPG in the energy portfolio to twice its size by 2030 supports the upward trend seen in the markets.

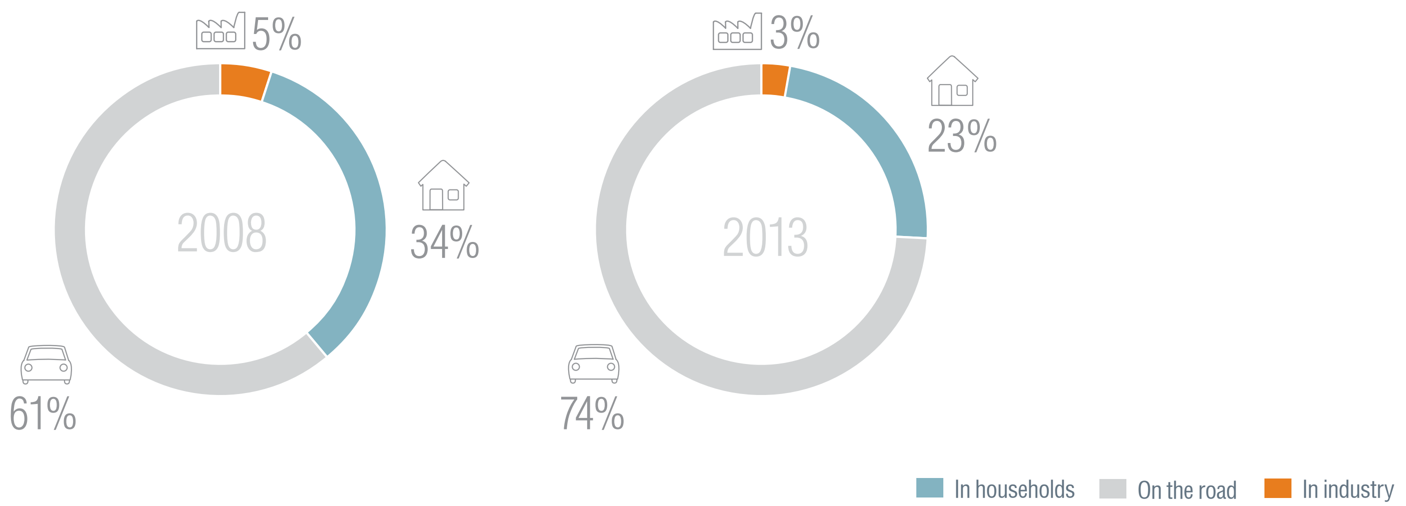
Currently, China, the U.S. and India lead the world in LPG consumption with a 45% share in total consumption. Meanwhile, autogas consumption represents a 9% share of total global consumption, standing at fourth place after petrochemicals and industry, with Turkey and Russia dominating the market after South Korea.

On the production side, while general world production of natural gas production increased by 1.9%, LPG production rose by 3.1%, rising to 274 million tons. Today, the US, Saudi Arabia and China are the three countries that have the largest share in the volume of world LPG production. With the addition of the new shale gas resources in the US, the US's contribution to LPG has risen to significant levels.

In the period ahead, it is expected that the supply of propane will increase and in connection with this, there will be a reduction in LPG procurement prices.

Global consumption of LPG rose by 27%, or 54 million tons, in the last 10 years.

Areas of Usage of LPG in Turkey and consumption shares



The Turkish LPG market maintains its position in the energy sector with an annual consumption standing at 3.7 million tons.

Turkey is the world's 15th, Europe's second largest LPG market

With an annual consumption of 3.7 million tons, Turkey is Europe's second largest LPG market after Russia. Turkey is followed by France, Germany and Italy.

In 2013, 20% of the total LPG supply in Turkey was procured from domestic production, the remaining 80% from abroad. A major portion of the LPG import volume comprises purchases from Russia, Algeria, Kazakhstan and Norway.

Although the more widespread use of natural gas in Turkey has led to a contraction in the cylinder gas and bulk gas markets, the share of autogas in general consumption has increased steadily, causing the LPG market to maintain its position in the energy sector.

EMRA (Energy Market Regulatory Authority) data for 2013 indicate that the share of autogas in total consumption rose from 61% to 74% in the last five years, while the share of the cylinder gas used in 7.5 million households and workplaces stood at a level of 23% as of the end of the year.

A market leader with a 28.7% share

With its cylinder gas and autogas brands being the most preferred brands in Turkey, Aygaz is the only integrated LPG corporation in the domestic market. Besides managing all of the processes in its core business--procurement, storage, filling and distribution-- the company also deals in the production and sales of LPG devices and in the maritime shipping of LPG.

EMRA data for 2013 show that Aygaz, which dominates 28.7% of the LPG market, comprised of 75 enterprises, maintains its clear-cut leadership in the LPG sector. Leaving behind a brilliant year of both operational and financial results, Aygaz holds a share of 42.6% in the cylinder gas market and of 24.3% in the autogas market.

Aygaz consolidated domestic sales of cylinder gas, bulk gas and autogas in 2013 stood at 1,066,000 tons. Together with wholesale, export and transit sales, the total domestic sales volume has reached 1.7 million tons. As of the end of 2013, Aygaz obtained a consolidated turnover of TL 6 billion, together with USD 321 million in exports and transit sales.

Turkey's most powerful LPG logistics network

Meeting LPG needs through Tüpraş and imports, Aygaz delivers the LPG it procures from domestic and international sources to the filling facilities through the pipelines and with its fleet of sea and land tankers. Thanks to the strength of its logistic infrastructure and its resources, Aygaz sells various products outside of Turkey.

Meeting 37% of Turkey's LPG imports by itself, Aygaz manages one of the largest LPG logistics operations in Turkey. Its competence in high level logistics is one of the most striking facets of the Aygaz competitive edge in the LPG market. Within the context of its logistics optimization efforts, Aygaz benefits from economies of scale to organize its business according to the number/capacities of its vehicles and its distribution network according to its sales volume, increasing productivity with optimal routing.

The Turkish LPG market

CYLINDER GAS CUSTOMERS
7.5 million

AUTOGAS VEHICLES
3.9 million

BULK GAS CUSTOMERS
20 thousand

Since 1967, Aygaz has been conducting its marine transport operations with its own ships, working with four vessels -Kandilli, Kuleli, Kuzguncuk and Beylerbeyi- at an average age of 14 years.

Since 1967, Aygaz has been conducting its marine transport operations with its own ships, working with four vessels -Kandilli, Kuleli, Kuzguncuk and Beylerbeyi- at an average age of 14 years. These four specially equipped and fully pressurized LPG carriers have a total transport capacity of 26,000 m^3, and are managed by Anadoluhisarı Tankercilik A.Ş., an affiliate completely owned by Aygaz.

The holder of Quality (ISO 9001), Safety (ISM Code), Security (ISPS Code) and Environment (ISO 14001) management system certifications and audited by globally respected petroleum suppliers, Anadoluhisarı Tankercilik A.Ş. completed the preparations for the SEEMP (Ship Energy Efficiency Management Plan) in 2013, incorporating the criteria in its management systems. It later received fleet certification ClassNK following on-board inspections.

Within the framework of the conventional requirements of the maritime industry and parallel to the "International Maritime Labor Convention" (MLC 2006) that came into force in August 2013, operation standards were adapted and ClassNK certification was obtained.

Gebze Facility

Aygaz produces cylinders, valves, small bulk gas tanks, pressure regulators and similar items under the same roof, at its facility located at the Gebze Organized Industrial Zone, on property that encompasses 52,000 m^2 of open and 25,000 m^2 of closed space. The facility operates with the most advanced technologies and has ISO 9001:2008 Quality Management Systems, ISO 14001 Environment Management Systems, OHSAS 18001 Occupational Health and Safety Managements Systems, and ISO 50001 Energy Management Systems certification.

In 2013, despite the political unrest in neighboring geographies, Aygaz increased its exports in the last three years 1.5-fold on a turnover basis, achieving total foreign exchange revenues of USD 35.6

million from the Middle East, Africa and Europe. The maximum spot sales price for the household-type cylinder gas product group, which represents 70% of export revenues, is increased every year. A record number of boxed valves were exported, 450,000 of which were delivered to Jordan. Cylinder gas exports climbed to a level of over 1 million, 500,000 of which were sent to Libya. In 2013, cylinder and tank repair and maintenance services, particularly for the domestic market, started to be supplied from the Gebze Facility.

Aygaz boasts 5 sea terminals, 9 filling facilities and 8 distribution centers, as well as an additional facility where pressurized containers and accessories are produced, all operated in line with international standards and using the most modern technologies. Aygaz has the largest LPG storage capacity in Turkey, a total of 170,000 m^3.

Stored at facilities that are equipped with the strongest technological infrastructure and equipment systems, Aygaz LPG is delivered into cylinders automatically and prepared for distribution after a series of safety tests. Each Aygaz cylinder is checked for "Valve Gasket Leaktightness," "Overfilling and Gas Leakage," and then issued a "Cylinder Information Card" and sealed with a "Hologram Lid" to verify that it is fully filled and quality certified. Besides the ISO 9001 Quality, ISO 14001 Environment and OHSAS 18001 Occupational Health and Safety, ISO 50001 Energy, ISO 10002 Customer Complaints Management Systems certifications, Aygaz products also carry the CE and PI brand certificates that allow free movement of goods in the EU.

Investments

In 2013, Aygaz and its subsidiaries engaged in new investments totaling USD 40 million for the renovation of the cylinder gas park, the expansion of the autogas distribution network, the modernization of facilities, and for improved logistics.

Despite the political unrest in neighboring geographies, Aygaz increased exports of pressurized containers and accessories 1.5-fold in three years.

› Cylinder Gas

Aygaz maintains its competitive advantage in the cylinder gas market thanks to its efficient dealership structure in Turkey, enabling close proximity to its customers as well as fast and high-quality service.

42.6%

Cylinder gas market share

Based on 2013 Energy Market Regulatory Authority (EMRA) data, domestic cylinder gas consumption dropped down to 842 tons, decreasing by 5.4%. Cylinder gas sales by Aygaz reached 359 thousand tons. While the sector contracted, Aygaz kept its market share in 2013, which was 43% in 2012.

Aygaz has been operating all over Turkey in more than 2,200 points of sale under the brands, Aygaz, Mogaz and Lipetgaz, and maintaining its competitive advantage in cylinder gas market with its effective dealer structure specific to Turkey, its corporate culture, its close relationship with customers, and its service speed and quality.

Aygaz owes its competitive advantage in the market to its excellent service and product quality as well as its innovative practices that make a difference. It has been expanding its dealer network that uses satellite quick order system, Aygaz Ekspres, while continuing to extend the system to Mogaz and Lipetgaz dealers. Thanks to the infrastructure supported by Aygaz Ekspres System, Aygaz has the privilege of offering consumers all over Turkey advantages such as installment plans through credit card campaigns, additional points, etc. Through these practices, Aygaz raised the bar significantly in terms of customer satisfaction in the sector; it increased its score in an independent Customer Satisfaction Survey in 2013 over the previous year's results, and thus maintained its position as the firm with the highest customer satisfaction in the sector.

Cylinders with sleeves

In order to create a competitive advantage by standing out to its customers, as of 2011, Aygaz became the first company in the sector to apply sleeves to small

Training programs provided to Aygaz, Mogaz and Lipetgaz staff, through the Training Truck that travels around Turkey in order to standardize the service quality of Aygaz all over the country, continued in 2013.

cylinders; Aygaz aimed, through this practice, to enable customers both to recognize Aygaz-branded small cylinders, and to use clean and visually appealing cylinders at home more comfortably. The same practice was implemented in 2013 for home cylinders; a large-scale pilot study was carried out for nature-patterned sleeves for home cylinders. Information about changeover times for cylinder gas equipment was included on the cylinder sleeve visuals to contribute to the efforts to raise awareness on safe usage. The Company started to work to extend the practice that raised satisfaction of both dealers and customers.

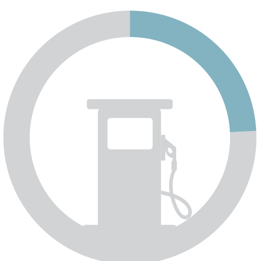
Aygaz Summer Festival in Anatolia

As a first in the sector, in 2013, Aygaz organized events in 13 locations in Turkey, using the Aygaz Training Truck in order to raise brand awareness for Aygaz Group brands, increase dealer satisfaction, and strengthen consumer satisfaction and loyalty. All local communities were invited to the events, and were provided with information about safe and correct usage of cylinder gas, periodical changeover, and correct usage of hoods and hoses that are used with cylinders. More than 7,000 consumers were reached in these organized events. Participants were also given information about Koç Group's “No Barriers for My Country” project, which aims to raise awareness about disabled citizens, and to improve their lives.

Events that included the screening of a classical Turkish movie, educational and fun workshops for children reached 1 million people, and 25,000 people visited the event field. Training programs provided to Aygaz, Mogaz and Lipetgaz staff in the Training Truck that travels around Turkey in order to standardize the service quality of Aygaz all over the country through trained and informed personnel, and to instill Aygaz's corporate culture, values and vision in dealer employees, continued in 2013.

> Autogas

With its market share of 24.3%, Aygaz is the market leader in the increasingly competitive autogas market, which has been growing for the last 10 years in Turkey.



24.3%

Autogas market share

Exemplary autogas market Turkey

The Turkish autogas market is the largest market in Europe and the second largest market in the world, making up 11% of the global autogas market. Last year, autogas consumption in Turkey reached 2,727 thousand tons, with an increase of 1.2%.

Approximately 3.9 million vehicles, which constitute 42% of the total number of vehicles in Turkey use autogas. In other words, Turkey has 17% of LPG vehicles, which amount to 23 million in the world, and has the largest number LPG vehicles in the world. The Turkish autogas market has been growing in a controlled and sustainable manner, owing to steps such as establishing standards, setting up large station infrastructures and receiving support from automotive companies, putting it in an exemplary position for other countries.

The autogas market, which has kept growing for years particularly due to the price advantage offered to consumers, also owes part of its success to the improvement of consumers' perception of the product. While the awareness that the autogas is an eco-friendly product has kept increasing, question marks about its performance and safety started to disappear. As vehicle owners in higher segments gravitate towards autogas, autogas consumption and the number of consumers who prefer autogas are expected to increase gradually.

Steps that raise the bar for competition

With its market share of 24.3%, Aygaz is the leader in the increasingly competitive autogas market, which started to develop in the world about 15 years ago, and has maintained its stable growth in Turkey for the last 10 years. Last year, total autogas sales of the Company reached 662 thousand tons, increasing by 7%, and the market share going up by 1.2 points.

Aygaz has been constantly developing and revising its strategies based on market dynamics and customer expectations, continuing its collaboration with Opet accordingly, while also growing in different distribution channels with the Mogaz and Lipetgaz brands.

In 2013, under competitive market conditions in which nearly 3.9 million LPG vehicles refueled in approximately 10,000 autogas stations, Aygaz focused on presenting solutions to consumer expectations through proactive marketing policies, and making investments to expand its distribution network. In 2013, Aygaz expanded its distribution network by 4%, and today, it has the most extensive distribution network in Turkey, with more than 1,500 licensed autogas stations.

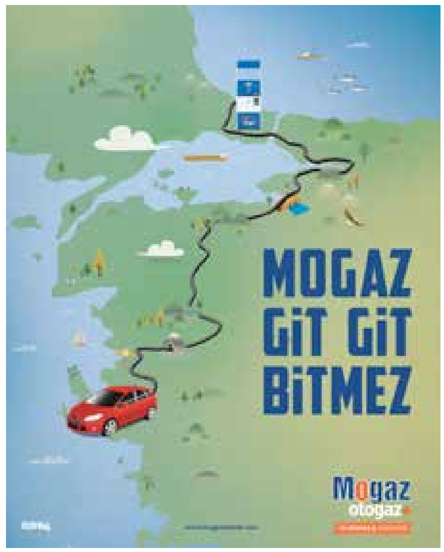
Aygaz has been constantly developing and revising its strategies based on market dynamics and customer expectations, continuing its collaboration with Opet accordingly, while also growing in different distribution channels with the Mogaz and Lipetgaz brands. With its constant R&D work, Aygaz has been able to maintain its leader position in the autogas market by further expanding its product line.

Aygaz Otogaz and Mogaz Otogaz

At the end of 2012, with its brand renewed as Aygaz Otogaz, Aygaz initiated its communication campaigns targeting attention to the superior motor performance of its product. The "Snowball" campaign was launched in winter, and "Remote Control" campaign was launched in summer using the "LPG Expert" statement, and emphasizing the fact that Aygaz is the most preferred autogas brand of Turkey, with more than one million consumers.

In addition to novelties in the Aygaz brand, Mogaz Maxi LPG+ brand has been renewed as Mogaz Otogaz. Mogaz Otogaz is sold in 540 stations all over Turkey.

Aygaz received the Silver Effie with Mogaz Otogaz's "Never Runs Out" campaign in the Effie Awards that measures advertising strategies and their effectiveness in terms of increasing sales, and the Bronze Effie for the Aygaz Otogaz's "Snowball" campaign. In the Crystal Apple Awards, which are the most prestigious awards of advertising business in Turkey, Aygaz Otogaz received the Crystal Apple for the "Snowball" campaign, and the Silver Apple award for the "Remote Control" campaign.



Aygaz organizes local and national campaigns in order to ensure maximum customer satisfaction and loyalty.

In addition to efforts to strengthen its brand perception, Aygaz works effectively to support the development of the sector. The autogas awareness raising campaign “Fuels of the Future: LPG”, which started in 2012 with the purpose of reinforcing the perception that autogas is a high performing, safe, widely-used, eco-friendly, and cost-efficient fuel for potential consumers continued in 2013 through different communication practices. The campaign aimed to strenghten the image of autogas especially in the eyes of non-users. In 2013, the campaign was expanded through the Çim Oto (Grass Car) organization in 16 cities around Turkey reaching consumers directly. Tens of thousands of consumers were contacted during this campaign which lasted 100 days.

Award winning, effective campaigns

Aygaz organizes local and national campaigns in the competitive LPG market in order to ensure maximum customer satisfaction and loyalty. In 2013, tens of thousands of new customers started to use Aygaz thanks to eight national campaigns.

Aygaz further strengthened its relationships with autogas conversion companies and workshops through campaigns in 2013. It organized year round attractive campaigns for existing and potential consumers via Aygaz Conversion Club that gathers conversion centers under a single roof in order to raise safety standards in the sector.

The Aygaz Conversion Club's new conversion and maintenance campaigns brought Aygaz six awards in various categories in Mixx, Felis, Crystal Apple, and Direct Marketing awards, which are the most prestigious awards in marketing and in the digital world globally.

Bulk Gas

The domestic bulk gas market continued to contract in 2013. Thanks to its superior product and service quality, Aygaz is maintaining its long-established leadership in shrinking bulk gas segment. Bulk gas takes up 4% of total domestic LPG sales of Aygaz. In 2013, Aygaz served more than 5,000 bulk gas customers, and its sales reached 46 thousand tons in this segment as of the end of the year.

Pürsu

In 2013, Aygaz added a third natural spring water filling facility to those operating in Nazilli and Sapanca. The new facility is located in Bursa Uludağ. With the addition of the new spring, water sales were carried out in 2013, in four regions, 31 cities, and through 550 dealers. While the carboy water market contracted by 2% in 2013, Pürsu sales increased by 18% and reached a daily average of 17,500 units. This sales figure placed Aygaz among the first eight brands of the carboy water sector, with 1.7% market share in a market consisting of more than 300 companies and where the market leader has 12% market share following acquisitions in recent years.

Subsidiaries

> Aygaz Doğal Gaz

As one of the significant players in the natural gas market, Aygaz Doğal Gaz achieved total revenue of TL 434 million in 2013, with an increase of 130%.

Operating in the natural gas market since 2004, Aygaz Doğal Gaz carries out sales and distribution of liquefied natural gas (LNG), and also sales of domestically acquired natural gas to eligible consumers through pipelines. Operating under the vision of "being a multi-faceted player in the natural gas market", Aygaz Doğal Gaz achieved a total revenue of TL 434 million, in 2013, with an increase of 130%, as predicted.

Bulk LNG sales

As one of the significant players in the bulk LNG market, Aygaz Doğal Gaz, completed necessary investments in this area, taking into account the developments in the market.

The LNG market in Turkey has a size of approximately 700 million m^3. LNG received from the Botaş Marmara Ereğlisi and Egegaz Aliağa LNG terminals are transported to all over Turkey with LNG trailers and stored in LNG tanks specifically installed in customer sites, in order to deliver gas to consumers in locations that are not served by pipelines. The asphalt, food and tourism sectors have a significant place within total consumption in the LNG market, which has a growth potential.

Piped Gas sales

Aygaz Doğal Gaz expanded its piped gas operations that it started a few years ago, following supply agreements made in 2013, and developed its customer portfolio. The company signed natural gas supply agreements of nearly 1 billion m^3, with importer companies for 2014 in the private sector, and is targeting to increase its revenue approximately by twofold to exceed TL 800 million.

Aygaz Doğal Gaz continues its pipeline gas operations started in 2010; targeting to support its domestic sales with imports, and continues its explorations taking into account the developments in global natural gas markets and the price level in Turkey, and closely follows market dynamics and opportunities.

A market that grows and becomes more liberal

Domestic natural gas consumption reached 46 billion m^3 in 2013, growing by 2%. In the Turkish market, which is highly dependent on imports, natural gas production meets approximately 1.5% of the demand.

In 2012, the public sector organization Botaş and five private sector companies imported natural gas through pipelines and in liquefied form. As of January 1st, 2013, following the addition of three new private sector companies, it is being supplied by nine companies holding import licenses. This development increased the ability of the private sector to meet domestic demand from 8% in 2012 to 19% in 2013. Parallel to the increase in companies with import licenses, the number of players in the domestic wholesale sector increased as well, and 19 private sector companies in total carried out wholesale of natural gas to eligible consumers.

The fact that international LNG prices were above domestic market prices due to government subsidies and with the increase in the exchange rate, prevented the private sector from importing LNG in 2013; as a result, Turkish LNG demanded was imported only by Botaş.

The growth in the Turkish economy, the expected activation of power plants running on natural gas, and the increase in the number of new subscribers indicates a strong growth potential in domestic natural gas consumption. Total consumption, currently at 46 billion m^3 is expected to increase to 60 billion m^3 in 2020.

> Akpa

Akpa A.Ş. conducts direct sales of cylinder gas and carboy water throughout Turkey, and carries out fuel trade through its fuel stations in Mid-Anatolia. Akpa A.Ş. provides durable consumer goods, central air-conditioner systems, electric-powered and gasoline-powered service vehicles to hotels, holiday villages, golf facilities, and hospitals.

Operating in its sector for about half a century, Akpa is, in its field, one of Turkey's largest sales and marketing organizations with a turnover of TL 352 million in 2013, with a 28% increase over previous year's sales.

The company has been operating in the cylinder gas market since the day it was founded; it expanded its service area significantly in recent years, and focused on direct sales to residences and offices. Akpa expanded its operating area from four to 13 cities in the last three years, and increased its cylinder gas sales from 16 thousand tons to 25 thousand tons.

Another major activity area of the Company is fuel products. Besides wholesale to corporations, it also provides retail sales to individual customers through its own stations.

Fuel sales in 2013 reached TL 140 million, with an increase of 32% over previous year's sales.

Durable consumer goods sales to hotels, dealers and corporations throughout Turkey increased 15% over 2012 results, and reached TL 104 million.

Akpa, also sells carboy water to corporates, existing cylinder gas dealers, and retail customers. In 2013, 1.5 million units of carboy water was sold under Pürsu brand, with an increase of 17% over the previous year.

Affiliates

With its structure as an integrated energy company, Aygaz targets to meet the increasing energy needs in the future by breaking new grounds in Turkey.

› Opet Aygaz Gayrimenkul

In addition to the existing dealer structure, Aygaz has adopted the strategy to invest in strategically located stations in order to increase the competitive power of its brands, and to this end, founded Opet Aygaz Gayrimenkul, with the partnership of Aygaz and Opet Petrolcülük.

Opet Aygaz Gayrimenkul founded with equal 50-50 partnership of Aygaz and Opet Petrolcülük on 20th September, 2013, aims to buy real estates in order to operate as fuel and autogas filling stations in various regions of Turkey, and to either operate them itself or rent these properties, as fuel and autogas filling stations. It is expected that Opet Aygaz Gayrimenkul will help Aygaz and its partner in autogas, Opet to solidify their positions in the market.

The number of filling stations as of the end of 2013 is ten.

› AES Entek

AES Entek operates three natural gas plants, two medium-sized and one small, with a total electricity production capacity of 302 MW, in addition to three hydroelectric plants with a total capacity of 62 MW. At the beginning of 2011, Aygaz sold a 50% stake in Entek to AES, the international energy company with headquarters in the US; following this sale, the company's name was changed to AES Entek. Aygaz shares the ownership of AES Entek with Koç Holding and AES with a 24.81% stake. As a Fortune 200 company, AES operates in 21 countries spread across five continents.

Three hydroelectric plants owned by AES prior to the partnership have been included in the company portfolio in 2013. Within the framework of the 50-50 partnership agreement it signed with OYAK in 2012, AES Entek, which has an installed capacity of 364 MW in total, plans to build a 625 MW power plant in Iskenderun Bay. This plant is expected to produce approximately 4.5 billion kWh of electricity per year. The power plant will produce economical, reliable, and clean energy by means of its state-of-the-art technology and with a high level of efficiency.

Investment activities are continuing for an approximately 225 MW natural gas-fired power plant to be built by AES Entek, adjacent to the Kırıkkale-Tüpraş facilities. The fact that the company has a flexible working arrangement even though production facilities are base load plants provides an advantage against market risks and competitors. The ability to make direct sales to busbar and steam customers in the Kocaeli plant is another asset for the company. AES Entek's natural gas plants became one of the few production plants that started to provide secondary frequency control service to TEİAŞ in 2013, and generated a significant income. At the same time, the fact that the Eltek Wholesale Company came into play at a time when system prices were low and it was possible to purchase from alternative sources, increases the competitive power of AES Entek, Eltek increased its customer power by 2.5 fold in 2013. AES Entek has the ability to decrease production and revenue risks, by purchasing energy from the system and selling it to the customer, when faced with low system prices that could be created by Eltek, and "buy or pay" risks in natural gas.

AES Entek was awarded the "Gold Voltage Electricity Sector Achievement Award" at the Gas & Power Turkey Energy Summit IV. The objective of AES Entek, in 2014 and beyond, is to pursue alternative resources, and make investments and acquisitions in order to increase its market share.

› Enerji Yatırımları

Enerji Yatırımları A.Ş. was established in 2006 for the purpose of purchasing 51% of the shares of Tüpraş, the largest industrial corporation in Turkey, from the Privatization Administration. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As the only producer in Turkey's refining industry, Tüpraş operates in refinery, distribution, and marine transportation of gasoline and products. Tüpraş is the seventh largest oil refining company in Europe with an annual crude oil capacity of 28.1 million tons.


Wherever you need energy
AYGAZ

Aygaz employees

Aygaz hires qualified employees with a commitment to participation and diversity as core values.

Aygaz's human resources policies are based on the philosophy expressed in the phrase of its founder, Vehbi Koç, "Our human resources are our most important assets." The leading and pioneering position of Aygaz, sustained for more than fifty years, is primarily due to its highly qualified human resources composed of the best employees in the sector.

Aygaz continues its operations assuming transparency and accountability in each link of its value chain from the management in at headquarters to its dealers. It hires qualified employees with a commitment to participation and diversity as core values. In line with its human resources policies, Aygaz strives to hire highly qualified employees, to offer them continuous personal and professional development opportunities, and to ensure employee loyalty by keeping motivation high.

As of 2013-end, the total number of Aygaz employees was 1,427, of which 724 are white collar and 703 are blue collar. 9% of employees are women and 91% are men with an average age of 36.3 and average seniority of 7.8 years. 57% of all employees have undergraduate and post-graduate degrees, while this ratio is 72% among white-collar employees.

Performance management

The Performance Management System at Aygaz is based on delegating objectives from upper-management down to all employees and evaluating employee performance objectively. Employees' performances are tracked with objective cards and evaluated based on quantitative criteria. Results of the "Performance Management System" form the basis for determining the following year's salaries, personal development planning, and defining the managerial potential.

The performance-based immediate reward system initiated in 2013 makes sure that white-collar employees are rewarded right after they display an achievement. On the other hand, the performance system established for blue-collar employees enable employees to see their contributions to company objectives and proactively define their own development areas.

Basis for development and change: Training

Considering the personal and professional training and development of employees among its corporate priorities, Aygaz allocates resources for personal development of its employees, and enables them to receive feedback from their managers and co-workers through a 360-degree competency evaluation system, and plan their personal development accordingly.

By courtesy of the Koç Academy System, training opportunities from the company are not limited to the workplace; employees are given the opportunity to obtain training whenever and wherever they want on digital platform.

In 2013, the average number of training hours provided per person increased to 36.9 hours from 32.7 hours in 2012.

In 2013, the Company provided sales trainings to sales and field managers, “We are one” trainings to Aygaz Group employees, and as always, Koç University Executive MBA and English language support.

LPG Authorized Personnel training was delivered to 23 people by experts from the Chamber of Mechanical Engineers and the Chamber of Chemical Engineers as well as Aygaz trainers who have the LPG Authorized Personnel Course Trainer Engineering Competency Certificate. 650 tanker drivers and cylinder gas delivery truck drivers employed by carriers were also trained. LPG Safety and Excellent Service Training was given to 2,500 people by the Autogas Marketing Department and 1,320 people by the Cylinder Gas Marketing Department.

Prerequisite for success: Employee engagement

The absolute prerequisite to achieving an outstanding level of consumer satisfaction is to guarantee excellent service quality, therefore Aygaz makes sure that employees at all levels are highly satisfied.

Since 1996 Aygaz has been aware of this fact and has regularly conducted Workplace Evaluation and Improvement Surveys to measure employee satisfaction and employee engagement. Acting upon those results, Aygaz has taken the steps to ensure that employee needs are met.

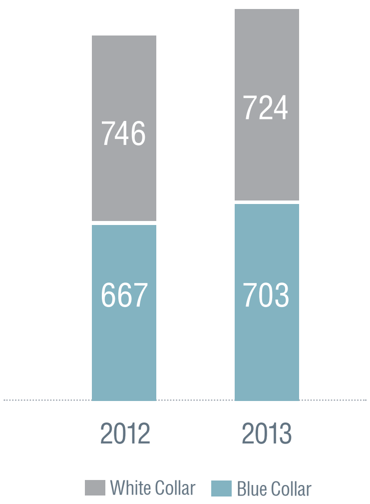
Recruitment and selection

The recruitment process of new employees includes group interviews conducted by managers from every level, case studies, presentations, English language test, personality inventory, and reference checks in order to bring in qualified candidates to the company, following promotional activities conducted in collaboration with Koç Group. After the selection stage, employees are put through the orientation program that contains Koç Group and Aygaz Group introductions.

Internal communication

The Internal Communication Plan prepared annually in Aygaz is always kept alive and up-to-date, through feedback provided by employees. Accordingly, activities such as Upper Management Business Results Information Meetings, breakfasts on terrace, area and plant visits, service award ceremonies, monthly meetings, department dinners, cultural trips, sports festival, the year-end communication meeting and celebration, the Turkish Music Choir, and social activity groups are held throughout the year.

Number of employees



72%

The ratio of white-collar employees with undergraduate and post-graduate degrees.

Quality, environment and safety

Holding ISO 9001 Quality Management System Certificate, Aygaz included 24 business units into the scope of the certificate in 2013. Thus, it became the first and only company accomplishing such a large-scale certification.

Conducting its business without harming the environment and its stakeholders, particularly employees and society, is a core principle of Aygaz. The Company emphasizes its commitment in this field through an Integrated Management Systems policy, which is an inseparable part of its corporate structure. All employees are responsible for adhering to the Integrated Management Systems policy of Aygaz.

Aygaz sets an example to all the players in the Turkish LPG market through its HSE-S implementations. Aygaz has broken much ground in this field. In 2013, the company reviewed its Integrated Management Systems policy. Additionally, following both internal and external inspections, the company reviewed and improved its ISO 9001 Quality, ISO 14001 Environment, OHSAS 18001 Health and Safety, ISO 50001 Energy, and ISO 10002 Customer Satisfaction Management systems. Aygaz obtained the ISO 9001 Quality Management System Certificate in 1998, and included 24 business units into the scope of the certificate in 2013. Thus, it became the first and only company accomplishing such a large-scale certification.

Within the scope of the OHSAS 18001 Occupational Health and Safety System, 15,006 man-hours of training were provided throughout the company in 2013. In addition, 5,502 hours of environmental management training were provided. In addition, as part of the World Day for Safety and Health at Work activities, and in order to raise employee awareness on occupational health and safety issues, an "Occupational Health and Safety Good Practice Awards Contest" was organized in 2013, and those who won were presented their awards during ceremonies held in the plants. Environmental audits were held by Aygaz Environmental Management Unit in Aygaz facilities, and 6.701 hours of training were provided on environmental management.

Environmentally friendly product portfolio

In 2011, Aygaz once again broke new ground in the sector by calculating the amount of greenhouse gases released from operations at Aygaz Yarımca Filling Facility within the scope of the ISO 14064 Standard for Calculating and Reporting

Emissions of Greenhouse Gases. It then had the results verified by an independent organization. In 2013, inspection and monitoring continued using calculations made within the scope of ISO 14064. The amount of greenhouse gases and the low level of emissions obtained as a result of these calculations once more confirm that LPG is an environment-friendly product and with no negative effect on human health.

Efficient utilization of natural resources and protecting the environment is a strategic priority for Aygaz, which contributes positively to urban air quality with its environmentally friendly product portfolio. The Company invested TL 4 million in environmental safety during the last year.

In 2013, coastal cleanup activities conducted with Turmepa within the context of World Environment Day events contributed to raising awareness about the environment.

Aygaz's customer-oriented approach brought the company, in 2013, Customer Friendly Organization and Customer Friendly Brand Certification. Certification Criteria are fulfilled according to a directive provided by the Turkish Standards Institution (TSI). The certification process was a first in Turkey and in the world.

Intellectual Property Rights

Since the day it was founded, Aygaz allocates part of its resources to protect its trademarks, patents, industrial designs, works, and Internet domain names. Aygaz is one of the companies with the largest portfolio of registered trademarks and trademarks in the application process. The company started to work on Intellectual Property Management in 2012, and all dimensions of the process is currently managed to international standards.

Research & Development

Aygaz leads the sector in research and development with its 57 patents.

Aygaz carries out its activities in order to offer innovative, safe, and high-quality products to consumers. The Company further strengthens its pioneering position in the sector by virtue of its R&D activities focused on closely following existing technologies as well as developing new technological solutions.

Aygaz carries out its R&D activities in three main categories: new product development, machine and process improvement, and alternative fuels. Maintaining its sector leadership position in R&D thanks to its 57 patents, Aygaz applied to the Turkish Patent Institute for 5 patents in 2013.

Benefiting from the TÜBİTAK TEYDEB R&D incentives, Aygaz conducts some of its projects in cooperation with universities as well as Teknokent companies. In 2013, the Company worked on three projects for which it received incentives from TÜBİTAK TEYDEB. The "Camping Gas Cylinder Recognition System" project, which was presented at the World LPG Association Conference, was selected as the second best project in Innovation category in 2013.

A safe and reliable partnership


AYGAZ DOĞALGAZ

Social responsibility

Pursuing social responsibility efforts with its founder Vehbi Koç's philosophy summed up as "I live and prosper with my country", and "Give what you take from the community back to the community", Aygaz provides support for projects that protect the past while investing in the future.

Every day Aygaz touches hundreds of thousands of people from every segment of society through its products and services. Aygaz is aware that sustainable development does not only depend on economic development, but also on social and cultural prosperity. Further, Aygaz knows that the responsibility for adding value to life belongs to companies as much as it does to individuals. As a corporate citizen that considers itself to have been an inseparable part of the society for the past half century, Aygaz has made substantial investments through its social responsibility projects.

Pursuing social responsibility efforts with its founder Vehbi Koç's philosophy summed up as "I live and prosper with my country", and "Give what you take from the community back to the community", Aygaz provides support for projects that protect the past while investing in the future.

What Will The Weather Be Like Tomorrow?

In September 2010, Aygaz began the "What Will the Weather Be Like Tomorrow?" project in cooperation with the Regional Environmental Center (REC) and under the auspices of the Ministry of Environment and Forestry. Throughout 2010 and 2011, as part of this project, the Sky Truck visited 32 cities with a mobile planetarium and the Magical Globe, a three-dimensional simulation device displaying the earth's movements. Approximately 10 thousand people attended the educational program in the Sky Truck and obtained certificates.

Since 2012, these education programs have been provided in the discovery globe at the Rahmi Koç Museum. All of the information and visuals used in the project are located at www.yarinhavanasilolacak.org.

The restoration of the Sagalassos Antonine Nymphaeum

The history of the ancient city of Sagalassos in the foothills of the Taurus Mountains dates back to the 4200 BC. Since 2005, Aygaz has supported efforts to bring the past of Sagalassos to light. Following the completion of the Antonine Nymphaeum project in 2010, restoration of the Upper Agora structures surrounding the monumental fountain began in 2011. The ultimate goal of this project is to revive the Upper Agora, the political center of this ancient city, and open it to the public as an open-air museum. When restoration is completed in 2016 as planned, the Upper Agora will regain its architectural and spatial integrity and will be one of the most remarkable ancient city centers.

Aygaz Library

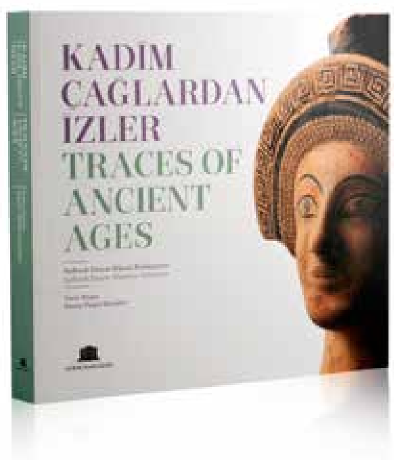
The "Aygaz Library" project aims to remind people of Turkey's rich historical and cultural heritage, and to preserve it for future generations. Since 1996, 13 books have been published as part of the project, which seeks to reach booklovers, art lovers, researchers, and the nation's youth. The library, which includes books on different topics ranging from history to archeology, published its most recent work, "Traces of Ancient Times", in collaboration with Sadberk Hanım Museum, in 2013.

The History of Ottoman Diplomacy

As part of the History of Ottoman Diplomacy project, documents and supplementary information collected from the Ottoman archives are gathered and published in book form. Published books also include the diaries and papers of diplomats who served in Istanbul. In 2013, seven books were published within the scope of the project, and the number of books published in collaboration with Sadberk Hanım Museum reached 25.

Van Castle excavations

In conjunction with the Ministry of Culture and Tourism and Istanbul University, Aygaz has supported mound excavations at Van Castle since 2010. The work carried out here indicates that this region was one of the most spectacular cities of the first millennium BC. Following the discovery of a 2800-year old ancient fountain in the southern part of Van Castle, a fine example of the Urartu civilization, excavations in 2013 unearthed impressive architecture belonging to a Seljukian-Ottoman city in southern parts of Van Citadel, also known as the Old Van.



Maydos Kilisetepe excavations

Since 2012 Aygaz has been supporting the excavation of the Maydos Kilisetepe Mound, which is being carried out by the Ministry of Culture and Tourism and Çanakkale Onsekiz Mart University. In 2013, excavations focused on different periods from the Middle Bronze Age (2000 BCs) to the Byzantine Period in various parts of the mound, and uncovered architectural ruins from these periods and several antique goods.

Aygaz supports diabetic children

In 2013, 100 diabetic children attended the 21^{st} Diabetic Children's Camp in Kocaeli, organized by the Child and Adolescent Diabetic Association with support from Aygaz. Aygaz has been supporting the camp since 2004, which is among the first health camps in Turkey dedicated to children. The objective of the camp is to teach diabetic children to be self-sufficient, while having fun and making new friends. The exemplary Diabetic Children's Camp has hosted 1,600 children during the last 20 years.

Women's Health Training Program

Aygaz has been working for years in collaboration with the Turkish Family Health and Planning Foundation to educate pregnant women and mothers on issues related to their babies' and their own health. It aims to improve mothers' and babies' quality of life, and contribute to reducing mother and infant deaths. During the past few years the scope of the "Safe Motherhood Project", which has been carried out with the Turkish Family Health and Planning Foundation (TAPV), and has expanded. The "Women's Health Training Program" aims to increase health awareness and the quality of life of families with limited economic means and education levels, who immigrated or had to immigrate to cities from rural areas. In 2013, the program was delivered in 19 cities; 2,321 women were registered, and 1,837 women participated into the program. A total of 4,500 women have been trained since the beginning of the project.

"Sevgi Gönül Theatre Days" Project

Aygaz has supported Koç University's Sevgi Gönül Theatre Days since 2006. In 2013, during the course of the 12^{th} Sevgi Gönül Theatre Days, which was held from April 15^{th} to 26^{th} at the Koç University Rumeli Feneri Campus, 10 plays were staged with contributions from the theatre projects of different universities.

Vehbi Koç Foundation and "Vocational Education: A Crucial Matter for the Nation" Project

Since its establishment in 1969, the Vehbi Koç Foundation (VKF) has worked to set an example of achieving ambitious goals in the fields of education, health, and culture through its programs and centers of excellence.

Aygaz has actively supported VKF since its establishment and contributed to its activities in both education and culture area with TL 4 million in 2013. The donations were channeled to Sadberk Hanım Museum, ARTER and Vocational Education: A Crucial Matter for the Nation (MLMM) Project.

This project was initiated in cooperation with the Ministry of Education, Koç Holding and the Vehbi Koç Foundation in 2006. Over time, the project has been considered to be an outstanding example in vocational education not only in Turkey but also at international level. The MLMM Project ended in 2013 when the last scholars graduated, but it will continue, as companies will develop their own models. Aygaz has structured the project so as to provide scholarships to 25 students in 3 plants (Gebze, Diyarbakır and Samsun). The process started in the second term of the 2012-2013 academic year, and will continue with a new group of students every four years.

Aygaz Search & Rescue Team

Aygaz Search & Rescue Team was formed following the Basic Disaster Training at the end of 2012. Its purpose is to establish a voluntary aid system within and outside the group to take informed emergency action in case of a disaster. The Team organized several activities within 2013. Aygaz Search & Rescue Team consists of 22 volunteer employees from different levels in Aygaz, and aims at increasing the number of volunteers.

Risk management

Aygaz manages the risks that it encounters in accordance with international standards and practices.

Due to the nature of the industry in which it operates, Aygaz is exposed to various risks in the financial, operational and legal fields. Aygaz manages these risks in compliance with international standards and practices through the policies approved by the Board of Directors.

Financial risks arising from uncertainties and fluctuations in currency, interest rates and commodity prices are identified and evaluated within this framework; requisite instruments are used to mitigate these risks. Currency risks that originate due to transactions in foreign currencies are mitigated by reflecting exchange rate fluctuations to sales prices of products. The risks that may otherwise arise are targeted to be kept within predetermined limits by means of forward transactions.

Liquidity risk is managed by closely monitoring existing and expected cash flows, and by ensuring maturity matching between assets and liabilities. The company's policy in this field is to assume long-term liabilities with fixed-interest rates and to manage the potential interest rate risks that may otherwise occur through derivative instruments.
Due to its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions through numerous dealers and customers. Thus, the company avoids vulnerability resulting from concentrating on a specific field or a customer.

Continuously and closely monitoring its clients, Aygaz seeks to keep credit risk exposure arising from commercial receivables within approved limits. The company is careful to conduct business only with parties possessing a high level of credibility and also mitigates existing risks with bank guarantees. The use of multiple payment systems is another element that facilitates collections and mitigates risks.

The company's objective in managing capital risk is to conduct its business with the best appropriate capital structure that minimizes the cost of capital while creating value for its stockholders.
In this respect, the most significant indicator is the ratio of Net Financial Debt/Equity. With a current ratio of 0.03, Aygaz A.Ş. has the capital structure and debt capacity enabling it to conduct its business in a healthy manner. The company's issued capital of TL 300 million is maintained along with the equity that belongs to the parent company amounting to TL 2,243 million as of December 31st, 2013.

Legislative changes are monitored by the Legal Department and other related units. All required information in this area is provided to the staff; training and compliance activities are carried out in order to avoid legal risks.

Operational, legal and strategic risks are evaluated by related units. The decisions taken by the executive management in this field are monitored by the Board of Directors through related committees. In addition to the reports submitted periodically to the Corporate Risk Management Committee, the Board of Directors receives information about corporate risk management activities carried out within the scope of Strategic Planning and Management processes through the Executive Management and the Risk Management Committee.

The activities of the Risk Management Committee

Considering the provisions stated in the Turkish Commercial Code No. 6102 and the Capital Markets Board's Corporate Governance Principles, Aygaz A.Ş. Board of Directors has established

the Risk Management Committee for early identification and assessment of strategic, operational, financial, and every other kind of risk that may endanger the company's existence, development and continuity. Managing and reporting the risks in compliance with the company's risk-taking profile, taking necessary measures against identified risks and considering the risks during decision-making, establishing and integrating efficient internal control systems for this purpose, and providing advice and recommendations to the Board of Directors on the risk management processes are also among the duties of the Committee.

The Risk Management Committee is currently composed of two members, with Ayşe Canan Ediboğlu, Independent Member of the Board, and Dr. Bülent Bulgurlu, Board Member, serving as chairwoman of the committee and committee member, respectively. The committee held three meetings during 2013 to evaluate periodical reports prepared in accordance with previously set guidelines for risk reporting and to receive information on various fields.

Internal Control System and Internal Audit

The company has had an Internal Audit Unit since 2006. The mission of Aygaz A.Ş. Internal Control Unit is to provide systematic, independent and objective analysis, consultation and information in areas that require managing in line with the company goals.

Being directly responsible to the Aygaz A.Ş. General Manager, the Internal Audit Unit analyzes the company's processes and reports risk issues to the Executive Management in line with the goal of establishing a more effective internal control structure.

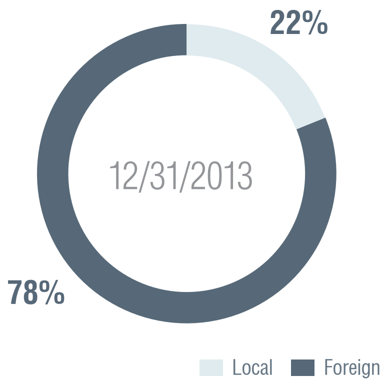
The Internal Audit Unit uses the powers defined by the Board of Directors and executive management in order to fulfill its mission and goals. Reporting to the Audit Committee, the Internal Audit Unit conducts efficient internal controls to ensure the integrity, consistency, reliability, timeliness, and security of the information provided by the accounting and financial reporting system. The Internal Audit Unit assesses the company's financial tables by comparing them with the results obtained from the internal control system.

Investor relations

Aygaz aims to create high shareholder value and dividend yield for its stockholders.

Share Information

- BİST Code : AYGAZ
- Bloomberg Code : AYGAZ.TI
- Reuters Code : AYGAZ.IS
- IPO date : 13/01/1988
- Free float rate : 24%
- Local/foreign investors



Investor Relations activities

In 2013, the Investor Relations Team attended a total of nine road shows and conferences both at home and abroad and conducted one-on-one meetings with more than 200 existing or potential investors through teleconferences or visits to company headquarters. With constantly updated company presentations and profit announcements following the publication of financial results, the investors were provided with rapid access to summary information. Company investor presentations and other informational documents are available at www.aygaz.com.tr in the Investor Relations section.

In all the 2013, in all reports prepared by brokerage houses, which track Aygaz through continuous contact with the company and their analysts, the expectation regarding the share value of Aygaz is for it to beat or meet the index, and Aygaz shares have been recommended by many brokerage houses throughout the year.

Highest level of corporate governance practices

SAHA Corporate Governance and Credit Rating Services Inc. is a rating agency authorized by the Capital Markets Board and rates the companies to be listed in the BIST Corporate Governance Index. It revised Aygaz's corporate governance rating score from 8.96 in 2012 to 9.27 on July 1, 2013. This score confirms that the interests of stakeholders are fairly considered, that the company is very good in public disclosure and

transparency, and that the structure and efforts of the Board of Directors are based on solid grounds, and has made Aygaz the second highest-rated company in Turkey in terms of corporate governance score.*

Share performance

The US Federal Reserve's announcement of monetary policy changes in 2013 resulted in volatility in global markets, which also affected Turkey as the BIST-100 index dropped from its record high of 93,179 in the first half of the year to 63,885, and closed the year at 67,802. Compared to end of 2012 figures, the BIST-100 and the BIST 30 depreciated by 13% and 16%, respectively. Aygaz share prices performed above the index, and as of December 31st, 2013, the company was valued at TL 2,460 million (1,151 million USD). The average transaction volume was TL 4,339 thousand.

Dividend policy

Aygaz strives to create high shareholder value for its stockholders and follows a consistent dividend policy that balances both the company's and the shareholders' interests in accordance with the corporate governance principles. Total dividends for the last five years has reached TL 850 million with an average distribution rate of 59%, including TL 175 million from the profits of 2013, which will be submitted for General Assembly approval for distribution.

Corporate Governance Rating Score*

Shareholders
8.98

Public Information and Transparency
9.19

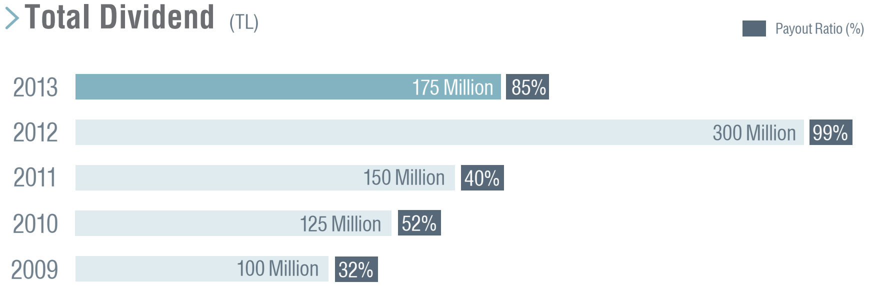
Stakeholders
9.58

Board of Directors
9.41

Total
9.27

Share Performance

Total Dividend (TL)



* Information about the revision of March 3rd, 2014 can be found on page 63 under the heading, 'Other Matters'.

Corporate Governance Principles Compliance Report

Legal Disclosures

Agenda of the Annual General Assembly

Proposal of the Board of Directors for Profit Distribution

Statements of Independence of the Independent Members of the Board of Directors

Profit Distribution Policy

Remuneration Policy for the Board of Directors and Senior Management

Auditors' Report on Annual Report

Independent Auditors' Report

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1) Corporate Governance Principles Compliance Declaration

Aygaz is aware of the benefit and importance of the Principles of Corporate Governance with regard to the capital market and companies. In a world that is becoming more globalized, it is very important to comply with international standards, to create sustainable value for shareholders, to procure funds from foreign markets and to achieve consistent growth. In this regard, corporate governance makes a significant contribution to increasing the quality of management, reducing risks and managing them better, and increasing the reliability and image of the company in the financial and capital markets.

Aygaz fully complies with the principles that are made compulsory as per the Capital Markets Board Communiqué Serial: IV, No: 56 "Regarding the Determination and Application of Corporate Governance Principles" and adopted a majority of the non-compulsory principles. Although we strive to fully comply with the incompulsory Corporate Governance Principles, due to difficulties associated with the implementation of some principles, the ongoing debate both on domestic and international platforms regarding the adoption of them, and the failure to overlap with the existing structure of the market and the company, full compliance has yet to be achieved. Work is underway on the principles that have not yet been put in practice, and we are planning to adopt them upon the completion of the administrative, legal, and technical infrastructure work that would contribute to our company's effective management. The comprehensive efforts undertaken within the framework of Corporate Governance Principles and the principles that have yet to be adopted under relevant sections, and the resulting conflicts of interest, if any, are explained below.

The highlight of our work in the field of Corporate Governance in 2013 was the efforts to ensure compliance with the Capital Markets Law, including the new regulations on the principles of corporate governance, and the new Turkish Commercial Code. At our 2013 ordinary General Assembly, all amendments stipulated by these regulations were made in our articles of association. Furthermore, the process regarding the determination and public disclosure of independent member candidates was realized and the election was completed in line with the regulations. The newly established board committees have been continuing their operations. A remuneration policy was determined for the Board of Directors and senior managers and submitted to the information of shareholders at the General Assembly. Through the information document prepared for the General Assembly, General Assembly information such as privileged shares, voting rights, organizational changes, background information on the nominees for Board membership, a remuneration policy for the Board of Directors and senior managers, and all reports and information that must be drafted and disclosed with regard to related parties, disclosure of which is mandatory as per the principles, were submitted for the information of investors three weeks prior to the General Assembly meeting. All related party transactions were submitted for the information of the Board of Directors, which adopted a resolution to continue such transactions also with the approval of independent members. The company website and annual report were also revised and the necessary changes were made towards full compliance with the principles.

Aygaz A.Ş. has demonstrated the importance it places on the principles of corporate governance and its eagerness to implement these as a continual and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Operating in Turkey under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities for the companies included in the BIST Corporate Governance Index, SAHA Corporate Governance and Credit Rating Services upgraded Aygaz's corporate governance rating score from 8.96 (89.57) in 2012 to 9.27 (92.71) on 1st July 2013 in consideration of the improvements made in the previous twelve months. In this rating study, SAHA allocated new weights to the four main sections which are designated by Capital Markets Board in April 2013. As of its date of assignment, this new corporate governance rating has made Aygaz the second highest-rated company in Turkey in terms of corporate governance score. This rating has been revised as of 3rd March 2014, and detailed information was declared to the Public Disclosure Platform on the same date.

The corporate governance rating score is determined by four main categories weighted to different degrees within the framework of the CMB resolution regarding the issue. Among the improvements made in the last term by Aygaz, amendments to the articles of association, election criteria for the Board of Directors members and systematic efforts undertaken in this process and the efficiency of the Board of Directors committees have contributed to a significant increase in the scores received, particularly in "Stakeholders" and "Board of Directors" categories.

Taking into account the developments in the legislation and practices, necessary efforts will be undertaken also in the upcoming period with a view to increasing compliance. Aygaz's efforts in this area are accelerated thanks to its well-established corporate identity while its management structure and processes have been reorganized in compliance with these regulations.

Since the General Assembly meeting held in 2005, Aygaz has been preparing Corporate Governance Compliance Reports for the past ten reporting periods, publishing them on the company's internet site (www.aygaz.com.tr) and as part of its annual reports. We hereby present for your information our Corporate Governance Report, which has been prepared this year in accordance with the format set out by the Capital Markets Board Resolution dated 1st February 2013 and no. 4/88.

Corporate Governance Committee

Mansur Özgün
Committee Chairman

Osman Turgay Durak
Committee Member

SECTION I - SHAREHOLDERS

2) Shareholder Relations Unit

At Aygaz, relations with the shareholders are maintained by the Investor Relations Unit, which was established within the Finance Department reporting to the Assistant General Manager in charge of Finance. The unit is administered by Assistant General Manager Gökhan Tezel, Finance Manager Mehmet Özkan and Shareholder Relations Manager Selin Sanver. Requests for information may be made to the unit by e-mail at yatirimci@aygaz.com.tr or investor@aygaz. com.tr, or by phone at (0212) 354 15 15 / extensions 1657-1659.

The primary responsibilities of Investor Relations Unit are as follows:

• To maintain relations with shareholders in an orderly manner within the scope of the disclosure policy, and to ensure regular and reliable access to information about the company
• To ensure the exercise of shareholders' rights and to answer shareholders' inquiries
• To update the company website, annual report, investor presentations, earnings releases, and similar communication tools to ensure complete and rapid access to such information for shareholders
• To meet requests for information made by investors by means of various communication methods and tools such as face-to-face meetings, investor conferences, road shows, teleconferencing, telephone, e-mail, fax, and disclosures/announcements with a view to increasing the value of the company
• To facilitate a two-way flow of information between the shareholders and the company's senior management and Board of Directors
• To keep shareholder records accurate, reliable, and up-to-date based on the records of the CRA
• To implement and monitor the Principles of Corporate Governance, and ensure compliance with such principles in the operations of the company, and represent the corporate entity of the company before the relevant ministries, the Capital Markets Board (CMB), the Borsa Istanbul (BIST), the Istanbul Settlement and Custody Bank Inc. (Takasbank), the Central Registry Agency (CRA), and other relevant institutions and organizations, and provide such institutions with reports and information as required
• To make the necessary disclosures to ISE via the Public Disclosure Platform
• To hold the General Assembly of Shareholders meetings, to hold Boards of Directors and Auditors meetings, and keep the records thereof

Shareholders generally request information and make inquiries on the profitability, share value, investments, turnover, subsidiaries, and dividend payments of Aygaz as well as the withholding tax on dividends. In 2013, more than 30 requests for information were received, and the requested information was provided in writing, verbally, and electronically. Furthermore, in 2013, a total of nine road shows and investor conferences were attended in Turkey and abroad and more than 200 meetings were held with domestic and foreign corporate investors and brokerage house analysts. Presentations prepared for this purpose are available to all investors on the company website.

3) Exercise of Shareholders' Right to Obtain Information

The "Investor Relations" section on the company website is constantly revised with a view to allowing shareholders to use it more easily and to access more information.

There is no discrimination among shareholders regarding the exercise of the right to obtain information and inspect, and all information is shared with shareholders with the exception of information classified as trade secret. With the exception of information classified as confidential information and trade secret, inquiries put to the Investor Relations Unit are answered both on the telephone and in writing upon conferring with the highest-ranking official on the relevant issue. As explained under section 9 of this report, the company website features all relevant information and explanation that may affect the exercise of shareholders' rights.

While our Articles of Association does not designate any right to request a special auditor as an individual right, as per Article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly, even if it is not included in the agenda, the clarification of certain events through a special audit provided that doing so is necessary for the exercise of shareholders' rights and the right to obtain information or inspect what was previously exercised. To date, no such request has been made by shareholders. Furthermore, the company's operations are periodically audited by an independent auditor appointed by the General Assembly.

4) General Assembly Meetings

The Ordinary General Assembly meeting, where the activities for 2012 during the reporting period were discharged, was held on 3rd April 2013 with a shareholder attendance of 78%. The general assembly meetings were attended by five members of the Board of Directors, auditors and executive management. Individual shareholders and members of the press also showed interest in the meeting.

The venue, agenda and a sample power of attorney were announced to the public 21 days prior to the meeting through announcements placed in the Turkish Trade Registry Gazette (TTRG), a national daily, and material disclosures made via the Public Disclosure Platform (PDP).

The 2012 annual report, auditor's report, independent audit report, financial statements and notes, and dividend distribution proposal of the Board of Directors, General Assembly information document and annexes were made available to shareholders both at the company Head Office and on the company website 21 days prior to the General Assembly meeting. The dividend distribution proposal was announced via the PDP. Shareholder's made no requests with regard to the agenda. The questions posed by shareholders at the General Assembly meeting were answered by the Company's Board of Directors and senior management.

At the Ordinary General Assembly meeting, which is held on an annual basis, the Chairman and members of the Board of Directors are authorized as per articles 395 and 396 of the Turkish Commercial Code to carry out the businesses that fall within the scope of the company personally or on behalf of others and to became partners in such companies and carry out other transactions. Within the framework of this authorization, members of the Board of Directors may assume other duties outside the company without any limitations.

At the Ordinary General Assembly meeting held in 2013, information was provided regarding the donations and aids given in 2012 as a separate general assembly agenda item and the donation limit for 2013 was set at 5% of pre-tax profit, and there have been no changes to our ongoing donation practices.

The Articles of Association contain no provisions that require a General Assembly resolution for the sale, purchase or lease of property. The minutes of the General Assembly are registered and announced in the TTRG and made accessible to shareholders both at the Company Head Office and on the company website.

5) Voting Rights and Minority Rights
No privileges are accorded in the company with regard to the shareholders' voting rights. There is no shareholding company that has a mutual participation with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. The Company's Articles of Association contain no provisions on the cumulative voting method.

6) Dividend Rights
There are no privileges regarding the sharing of company profits. Dividend distribution is made in accordance with and at the intervals stipulated by the relevant legal legislation.

The goal has been to determine and declare a dividend distribution policy in compliance with the Principles of Corporate Governance that will take into consideration the interests of both the shareholders and the Company. At the Company's Board of Directors meeting on 12th March 2013, the dividend distribution policy was revised into its present form as follows:

"Taking into account its long-term strategies, investment and financing plans and current profitability, our company may distribute dividends from the distributable profit calculated on the basis of the Capital Markets Board communiqués and regulations at such rate that is not less than the minimum profit distribution rate set out by the Capital Markets Board, as cash dividend or scrip issue or a combination of the two. Should there be any changes to this policy, the public shall be notified accordingly."

As per the Principles of Corporate Governance, the General Assembly on 3rd April 2013 was informed of the Profit Distribution Policy presented on the company website and in the annual report to ensure that the shareholders possessed this information.

7) Transfer of Shares
As stated in Article 8 of the Articles of Association, only the persons registered in the share book as per the records kept in the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares. The transfer of the publicly traded registered shares of the company shall be governed by and subject to the pertinent regulations of the Capital Markets Board.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8) Company Disclosure Policy
Annual information that does not constitute a trade secret and projections for the upcoming period will be disclosed to the public via the print and visual media following the annual Ordinary General Assembly. In the event of the emergence of developments deemed significant enough to be announced to the public, material disclosures are made in a timely fashion. Pursuant to Capital Markets Board's Communiqué Serial: VIII, No: 54 on the Principles Regarding the Public Disclosure of Special Circumstances, the General Assembly on 3rd April 2013 was informed of the Company's disclosure policy, which was prepared by the Company management and made available on the Company website.

The individuals in charge of executing the company's disclosure policy are General Manager Yağız Eyüboğlu, and Assistant General Manager in charge of Finance Gökhan Tezel. The Investor Relations Unit has also been exclusively charged with overseeing every aspect of public disclosure and responding to inquiries addressed to the company. Written and oral inquiries addressed to the company are answered by this unit.

As is explained in the relevant sections of our company's annual report, information regarding the future will be disclosed to the public together with assumptions and the data on which such assumptions are based. In the event that the projections included in the information regarding the future fail to materialize or it becomes clear that they would not materialize, updated information will also be included.

9) Company Website and Content
The company website is accessible at www.aygaz.com.tr. It is available in two languages including Turkish and English. As explained in detail in the Company Disclosure Policy, the Investor Relations section includes main headings such as stock ID, financial statements, material disclosures, shareholders and participation, Board of Directors, corporate governance, news and announcements, presentations, frequently asked questions, and contact us as well as a diverse set of documents and information under these that must be featured on the website as per the principles of corporate governance and other legislation. Changes either to this information and to the legislation are reflected on the website simultaneously.

10) Annual Report
The company's Annual Report shall be drafted in a manner that includes all information stipulated by the Corporate Governance Principle No. 2.3 and its subparagraphs, in sufficient detail to ensure that the public can reach complete and accurate information regarding the company's activities and in compliance with the relevant legislation.

SECTION III - STAKEHOLDERS

11) Informing Stakeholders

Company stakeholders are informed regularly on matters that concern them. Company employees are informed at internal communication meetings. Blue-collar workers at the Aygaz Gebze Plant and seamen working on vessels are members of trade unions organized in their respective industries. These workers are informed through union representatives. Regional or general dealer meetings are held every year. During these meetings, dealers are informed about the Company's activities and their requests and suggestions are received. Five regional dealer meetings were held in 2013. Individual and group meetings are held with the suppliers where a mutual exchange of information takes place.

In the meantime, information is also conveyed through an extensive range of media such as the Company's corporate website, e-bulletins, technical publications, and the Company magazine, "Aygaz Dünyası" The Dealer Portal, which is designed specifically to improve communication with dealers, also continues to be used effectively.

Stakeholders can use the reporting line on our company's corporate internet and intranet sites to report any infringements to the rules and ethically inappropriate activities to the Internal Audit Department then to be submitted to the Audit Committee.

12) Stakeholder Participation in Management

At the stakeholder meetings, participants find the opportunity to express their requests and suggestions, which are then taken into consideration by the management. Furthermore, the Individual Suggestion System and e-mail pools established within the company provide an opportunity to bring new ideas, and those whose ideas are implemented are rewarded. Suggestions can be submitted through the company's corporate internet and intranet sites.

13) Human Resources Policy

As is true at all Koç Group companies, Aygaz's human resources policy is also based on the "Our most valuable asset is our human resources" philosophy. The Aygaz vision is to be "The best company to work for in Turkey" by our employees, who we deem to be a strategic advantage that manages all resources, by keeping their satisfaction and loyalty at the highest possible level through our established systems and practices.

Our human resources mission is to support the entire company management and all employees and to put into place human resource systems in coordination with the relevant departments, with a view to ensuring the continuity of a creative, dynamic, well-trained, motivated, and productive Aygaz team.

HR Management Principles:

- Make employee motivation and company loyalty a priority
- Provide an environment conducive to continuing training and self-improvement
- Systematically plan and develop the careers of individuals in line with the needs of the organization
- Conduct human resources planning and organizational redundancy
- Provide fair compensation and rewards
- Provide individuals with feedback on their job performance
- Hire employees based on their qualifications and the Company's needs
- Honor employees with public recognition and respect their personal rights when offering criticism
- Promote social and cultural activities

In addition to union workplace representatives designated in accordance with the Collective Labor Agreement, Human Resources staff working in all the regions are charged with facilitating communication and coordination between employees and the Human Resources Department. No discrimination complaints were filed by the employees.

Aygaz Group has a Performance Management System in place for all employees. The performance of white-collar workers is evaluated through objective business objectives in the system, which was established based on the balanced scorecard methodology. For blue-collar workers, the required functional competences to achieve excellent performance have been defined and the evaluation is made through these competences. With regard to recognition and award practices, in addition to the Individual Recommendation System and TPM applications that aim to boost efficiency, the reward categories were redefined and the Blue Star Reward System was put in place in 2012. The Blue Star Reward System aims to instantly recognize and reward high performance and efforts that make a difference.

Company employees are informed of their job definitions and distribution of work as well as performance and reward criteria. Employee satisfaction and loyalty are measured through an "Employee Loyalty Assessment Questionnaire" as a result of which areas that require improvement are determined and remedial measures are taken.

The Collective Labor Agreement between the Turkish Metal Union and our workers at the Aygaz Gebze Plant for the 1st September 2012 – 31st August 2014 period was signed on 3rd June 2013, and The Collective Labor Agreement between the Seafarers' Union of Turkey and our seamen working on vessels for the 1st January 2013 – 31st December 2014 period was signed on 1st July 2013. No representatives have been assigned within the company to maintain relations with the employees other than the union workplace representative designated in accordance with the Collective Labor Agreement. Relations with the union are maintained by the Human Resources Department.

14) Codes of Conduct and Social Responsibility

Throughout its half a century history, Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct, and its culture of compliance with laws and regulatory rules.

In the performance of their duties, employees of Aygaz, which is part of the Koç Group, are obligated to comply with the "Koç Group Goals and Principles. Committed to Koç Group's ethical principles, Aygaz:

• Respects the respectability, privacy, and personal rights of individuals.
• Respects the differences among individuals such as race, origin, religion, gender, social class, nationality, age, and physical disability, and does not discriminate.
• Provides all of its employees with equal opportunity in personal development and career regardless of their origins and creeds as part of its employee commitments.
• Enforces the mechanisms related to the rules of work discipline in the cases of human rights violations.
• Respects the traditions, culture, and history of each and every community in which it operates.
• Respects the union rights of its employees.

In 2010, Aygaz put its "Codes of Ethical Conduct and Practice" with a view to ensuring that ethical values are extended to all employees with the same effectiveness and handed down to the following generations.

A Board of Ethical Conduct has been established so as to better assess any infringements and to harmonize the practice. The Ethics Board is comprised of the General Manager, the relevant Assistant General Manager, the Human Resources Manager, and the Legal Advisor.

The "Codes of Ethical Conduct and Practice" were made into a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking on the last page to be included in their respective personal files. Newly recruited personnel are also informed of these principles and declare and undertake that they would adhere to them.

The principles of the company's environmental policy have also been announced in the annual report and our corporate website. The social responsibility projects in which our company takes part as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

SECTION IV - BOARD OF DIRECTORS

15) The Composition and Election of the Board of Directors

The Aygaz Board of Directors is composed of one Chairperson, one Vice Chairperson and nine members, three of whom are independent. As of 2013, the Board of Directors has one female member. All members of the Board of Directors were elected in the General Assembly on 3rd April 2013 to serve until the Ordinary General Assembly Meeting to be held to discuss the financial results for the year 2013. Backgrounds of the Board members and the General Manager are provided in the annual report.

Name of Board Member	Whether or Not Executive	Independence Status	Duties in the Board and Committees	Duties Outside the Company
Rahmi M. Koç	Non-executive	Non-independent	Board and Executive Committee Chairperson	Koç Holding A.Ş. Honorary President and Board Member in Koç Group Companies
Ömer M. Koç	Non-executive	Non-independent	Board Vice Chairperson and Executive Committee Member	Koç Holding A.Ş. Board Vice Chairperson and Board Member in Koç Group Companies
Alexandre F.J. Picciotto	Non-executive	Non-independent	Board Member and Executive Committee Member	Orfim General Manager
Dr. Bülent Bulgurlu	Non-executive	Non-independent	Board Member, Risk Management Committee Member and Executive Committee Member	Board Member in Koç Holding A.Ş. and Koç Group Companies
Osman Turgay Durak	Non-executive	Non-independent	Board Member and Corporate Governance Committee Member	Koç Holding A.Ş. CEO and Board Member in Koç Group Companies
Erol Memioğlu	Non-executive	Non-independent	Board Member, Executive Committee Member	Koç Holding A.Ş. Energy Group President and Board Member in Koç Group Companies
Ayşe Canan Ediboğlu	Non-executive	Independent	Board Member, Risk Management Committee Chairperson	ING Bank Türkiye Board Member
Tunç Uluğ	Non-executive	Independent	Board Member, Audit Committee Chairperson	Arçelik A.Ş. Board Member
Mansur Özgün	Non-executive	Independent	Board Member, Corporate Governance Committee Chairperson	Tat Konserve A.Ş. Board Member

The offices of the Chairman of the Board of Directors and General Manager are held by different persons. While Board members are expected to spare the required time for the affairs of the company, there are no limitations imposed on them as to other duty/duties outside the company. Such a limitation is not deemed necessary particularly for independent members due to their important contributions to the Board of Directors with their respective professional and sectoral experiences. Prior to the General Assembly, background of the member as well as the duties he/she performs outside the company are submitted for the information of the shareholders.

In our company, duties of the Nomination Committee have been assumed by the Corporate Governance Committee. In 2013, three nominees were submitted to the Corporate Governance Committee for independent membership, and all independent member nominees submitted their statements of independence to the Corporate Governance Committee. Declarations of nomination and backgrounds of Independent Board Members were evaluated at the Corporate Governance Committee meeting on 1st March 2013 and the Board of Directors meeting on 15th March 2013. Each of the nominees fully met the criterion stipulated in the Corporate Governance Principles, and it was decided that all should be designated as independent member candidates. During the 2013 operating period, no situations that would eliminate independence arose.

16) Operating Principles of the Board of Directors

The agenda of the Board of Directors is set based on the needs of the Company as a result of the assessment of the Company's activities. The General Manager and the Assistant Manager in charge of Finance inform and maintain communication with the Board of Directors. Assembling as required by the company's activities, in 2013 the Board of Directors held three meetings and passed a total of 19 resolutions including those that fall under the scope of paragraph 4 of Article 390 of the Turkish Commercial Code.

Board members have no weighted voting privileges and/or negative veto power. During the reporting term, all resolutions were passed unanimously.
The Board of Directors is authorized to make decisions related to the affairs of the Company with the exception of powers vested in the General Assembly by the Turkish Commercial Code. Powers and responsibilities of Board members and managers are regulated by the specimen of signature drafted in accordance with the relevant provisions of the Company's Articles of Association.

Board members of the Company do not carry out any transactions with the Company or take part in any competitive entities.

In 2013, all related party transactions and transaction principles were submitted to the Board of Directors. It was decided with the approval of all independent Board members that in the event of any changes to the conditions of the aforementioned transactions or of the related party transactions to be executed after the date of the Board resolution, single-time transactions of which amounts are in excess of TL 5 million and among common and continuous transactions, those of which total in an accounting period are in excess of TL 10 million should be submitted for Board approval and that all related party transactions under these limits should be executed in line with the decisions taken by the Company management. No new transactions or any transactions with changed conditions in excess of the prescribed limits were carried out after this decision. In 2013, no related party transactions or material transaction was carried out that needed to be submitted to General Assembly approval in the absence of approval by independent members.

17) Number, Composition and Independence of Committees within the Board

The Audit Committee was formed within the statutory period and fulfills the duties set out by the CMB communiqué. Within this scope, it audits the Company's accounting system, disclosure of financial information to the public, independent audit, and the functioning and efficiency of the internal control mechanism of the partnership. Selection of the independent auditing firm, drafting of independent auditing agreements, initiation of the independent audit process, and efforts of the independent auditing firm at all stages are carried out under the supervision of the Audit Committee. The Audit Committee convenes at least four times a year and more frequently when required as it must report in writing, along with its own assessments, to the Board of Directors on whether the annual and interim financial reports to be disclosed to the public complied with the accounting principles followed by the partnership and fully reflected the financial condition of the Company after conferring with the responsible managers of the partnership and independent auditors. The Committee was convened six times during 2013.

Together with the Company management, the Audit Committee is responsible for the meticulous execution of internal and external audits and ensuring compliance of records, operation, and reporting with the relevant laws, rules and regulations as well as the principles set out by CMB and IFRS.

In 2013, independent Board member Tunç Uluğ was appointed as the Audit Committee Chairperson and Mansur Özgün as committee member.

Independent Board member Mansur Özgün is the Chairperson of the Corporate Governance Committee, which was created to supervise compliance with Corporate Governance Principles and to examine the grounds with regard to the principles that have yet to be implemented. Osman Turgay Durak was appointed as committee member. The Committee was convened four times during 2013.

The Risk Management Committee was established with a view to providing the Board of Directors with suggestions and recommendations regarding the identification, assessment and calculation of the impact and likelihood of all strategic, operational, financial and miscellaneous risks that may affect the company. Further, managing in accordance with the corporate risk-taking profile, reporting, and taking into consideration the decision making mechanisms of such risks, as well as the creation and integration of effective internal control systems to this end. The Risk Management Committee convenes at least 6 times a year depending on its work plan.

In 2013, independent Board member Ayşe Canan Ediboğlu was appointed as the Chairperson and Dr. Bülent Bulgurlu as member of the committee.

With the Board resolution dated 4th May 2012, it was decided that the activities of the Investment and Business Development Committee, renamed as the Executive Committee, established on 15th July 2010 with a view to generating ideas and strategies for the company, ensuring coordination among relevant departments, and accordingly, determining the special areas within the Company's field of activity and designing and planning of new projects and investments, as well as overseeing the management of adopted strategies and projects, should be expanded in a way to provide the Board of Directors with support in all matters. The Executive Committee convenes as frequently as required by the activities of the company. The Committee was convened monthly during 2013.

As per the Board resolution dated 29th April 2013, the committee is comprised of four non-independent members, and the number of members has risen to five with the addition of Alexandre F.J. Picciotto as of 24th June 2013. Mustafa Rahmi Koç is the committee Chairman with Mehmet Ömer Koç, Alexandre F.J. Picciotto, Dr. Bülent Bulgurlu and Erol Memioğlu acting as members.

18) Risk Management and Internal Control Mechanism

The Board of Directors is responsible for the sound operation of the internal control system and internal audit, and related efforts are coordinated by the General Manager, overseen by the committees created by the Board of Directors and necessary information is submitted to the Board of Directors.

The Internal Audit Department, which is responsible to the General Manager but also reports to the Audit Committee as necessary, continues its efforts to put in place a more effective internal control structure by analyzing company processes and reporting to senior management the issues that it deems to be risky.

Furthermore, periodic audits are conducted by Koç Holding Internal Control Units and an independent auditing firm, and the reports drafted based on these audits are presented to the Board of Directors.

Enterprise Risk Management (ERM) efforts are conducted by a team comprised of members from various departments under the supervision of the Risk Management Committee created by the Board of Directors.

19) The Company's Strategic Goals

In addition to the Company's vision and mission, its strategic goals have also been determined and are submitted for the information of all stakeholders through various channels. Annual targets, which are determined and set out for the company management by the Board of Directors in accordance with these, and shared by all levels. Both the Board of Directors and relevant committees are periodically briefed regarding the realization of the given targets and the developments.

The strategic goals of Aygaz are to maintain its leading position in the LPG market by sustaining its product diversity and innovative approach in autogas, increasing its market penetration through new autogas filling stations, realizing the growth potential of cylinder-gas in rural areas, increasing market diversification in neighboring countries, and to develop and strengthen the existing portfolio of subsidiaries by pursuing new acquisition, merger, and investment possibilities and taking advantage of highly profitable opportunities.

20) Financial Rights

Our Company's Remuneration Policy for the members of the Board of Directors and Senior Executives, which includes all rights, benefits and wages provided to the members of the Board of Directors and senior executives was submitted for the examination of our shareholders through an Information Document published on our website three weeks before our Ordinary General Assembly on 5th April 2012, and took effect thereafter. Every year, the total of the payments made within the framework of the Remuneration Policy for the members of the Board of Directors and Senior Executives is assessed by the Corporate Governance Committee and the Board of Directors. In parallel with general practices, payments made to the board members and senior executives are also disclosed to the public in the notes to in our financial statements. There are strictly no transactions that may lead to conflicts of interest such as loaning, extension of credit, provision of guarantees to the benefit of our board members or executives.

At the Company's Ordinary General Assembly Meeting on 3rd April 2013, a resolution was passed to pay a monthly gross honorarium of TL 11,000 to the members of the Board of Directors.

Legal Disclosures

Commercial name, registry number, contact information of its head office and branches

The Company is registered at the Istanbul Trade Registry with the number 80651 (Mersis No. 0-1190-0510-2700017), and contact information of its head office and branches appear on its website, www.aygaz.com.tr.

Capital and Shareholding Structure

Issued capital of the Company is TL 300,000,000, all of which has been pledged and paid in full. Issued capital is divided into 30,000,000,000 (thirty billion) registered shares at 1 Kuruş nominal value per share.

The shareholding structure as of 31st December 2013 is as follows:

Name and Title of the Person or Company	Amount of Shares (TL)	Share Stake (%)	Voting Rights	Voting Rights Ratio (%)
Koç Group	**153,642,567.78**	**51.21**	**15,364,256,778**	**51.21**
Koç Holding A.Ş.	122,053,514.27	40.68	12,205,351,427	40.68
Temel Ticaret Ve Yatırım A.Ş.*	15,883,935.60	5.29	1,588,393,560	5.29
Koç Family	15,705,117.91	5.24	1,570,511,791	5.24
Other	**146,357,432.22**	**48.79**	**14,635,743,222**	**48.79**
Liquid Petroleum Gas Development Company (LPGDC)	73,545,660.24	24.52	7,354,566,024	24.52
Free Floating**	72,811,771.98	24.27	**7,281,177,198**	24.27
Total	**300,000,000.00**	**100.00**	**30,000,000,000**	**100.00**

* The majority of Temel Ticaret ve Yatırım A.Ş. shares belong to the members of the Koç Family.
** The free floating shares in the amount of TL 2,725,041.31 (ratio to capital 0.91%) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., of which LPGDC is a 100% shareholder.

Division of Duties of Board Members and Changes Made

There have been no changes made during the period in the members of the Board of Directors who were elected to serve until the next Ordinary General Meeting of Shareholders on April 3rd, 2013. By decision of the Decision of the Board of Directors dated April 29rd, 2013, the Committees of the Board of Directors have been delegated as follows:
-Committee Responsible for Auditing: Tunç Uluğ (Chairman), Mansur Özgün (Member)
Corporate Governance Committee: Mansur Özgün (Chairman), Osman Turgay Durak (Member)
- Risk Management Committee: Ayşe Canan Ediboğlu (President) Dr. Bülent Bulgurlu (Member)
-Executive Committee: Mustafa Rahmi Koç (President), Mehmet Ömer Koç (Member), Dr. Bülent Bulgurlu (Member), Erol Memioğlu (Member), Alexandre François Julien Picciotto* (Member)
Elected by Board of Directors Decision dated June 24th, 2013.

The Board of Directors took 19 unanimous decisions during 2013. It was seen that all the committees worked efficiently during the year. Details about the work of the committees can be found in Article 17 of the Corporate Governance Principles Compliance Report, the working principles of the committees are to be found on the corporate webpages.

Lawsuits and sanctions

There are no administrative or legal sanctions imposed on the company and the members of its management bodies that may affect the financial situation and activities of the company as a result of any lawsuit against the company or its practices in violation of any legal provision .

Public audits and special audits

In addition to the corporation's internal auditing, various documents and information was requested by the Ministry of Finance, the Ministry of Customs and Trade and other regulatory and supervisory organizations; ordinary and limited audits were executed.

The Tax Auditing Board Presidency began a tax audit at Aygaz A.Ş. as of July 2013 and the process is currently ongoing. In addition, as a result of the EMRA audits, the storage licenses of a total of four of our facilities, two in December 2013, two in January 2014, were canceled; applications have been made to reinstate said licenses as soon as possible. Our Company has been made a party to four sequestration lawsuits filed by the EMRA.

Conflicts of Interest between the Company and the Organizations from which it Obtains Services on Matters such as Investment Consultancy and Rating and Information about the Measures taken by the Company to Avoid such Conflicts of Interest

The company gets no investment consultancy services. Corporate Governance Rating services are used; however, there has been no conflict of interest with the relevant company.

Related Company report drafted as per Article 199 of the Turkish Commercial Code

As per Article 199 of the Turkish Commercial Code no. 6102, which entered into force on 1st July 2012, the Aygaz A.Ş. Board of Directors is liable to issue within the first quarter of the current year, a report on the relations of the company with its controlling shareholder, and the subsidiaries of the controlling shareholder in the previous year and include the conclusion of such a report in its annual report. The necessary explanations regarding the transactions are included in Footnote 31 of the financial statement.

The report dated February 28th, 2014, which was prepared by the Aygaz A.Ş. Board of Directors, says: "It is concluded that, with respect to all the transactions of Aygaz A.Ş. with the controlling shareholder and the subsidiaries of the controlling shareholder in 2013, in each transaction a proper counter-gain was obtained according to the circumstances and conditions known by us when the transaction was carried out or the measure was taken or avoided and that there is no measure taken or avoided that can cause the company to incur any losses and that there is no transaction or measure that necessitates balancing within this framework."

Other matters

The registration procedures with regard to the merger through transfer with our subsidiary Mogaz Petrol Gazları A.Ş. were carried out on January 22st, 2013, thus concluding the merger process.

In order to meet the financing needs of the company, our Board of Directors took a decision on February 15th, 2013 to execute the private placement of debentures of a maturity of 24 months with payment against a coupon every 6 months and at the end of maturity at a nominal value of TL 150 million or to issue these for sale to qualified investors. As announced in the disclosures made on the Public Disclosure Platform (PDP), the sale of the debentures was carried out on April 18th, 2013 at an ordinary interest rate of 7.1281%. The interest payment on the amount of TL 5,126,399.69 for the 1st coupon payment period of the bill was made on October 10th, 2013.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. announced in its press release of March 3rd, 2014 that, according to the decisions taken at Meeting No. 4/105 of the Capital Markets Board on February 1st, 2013, it had updated all of its customers' corporate governance ratings for 2013. In this context, the company's rating was updated from 92.71 to 89.76 and a detailed explanation was made through PDP on March 3rd, 2014.

Profit Distribution Policy and Payment of Dividends during the Year

The Profit Distribution Policy for 2013 and subsequent years, as decided upon and revised by the Board of Directors with the decision dated March 12th, 2013, has taken the following form and as such, has been included in the Corporate Governance Principles Compliance Report and the Corporate website and called to the attention of shareholders at the General Meeting of Shareholders on April 3rd, 2013. "Taking into consideration our long-term strategies, investment, financing plans and profitability status, the company may distribute as dividends, a certain ratio of the distributable profit calculated on the basis of CMB communiqués and regulations, this ratio not to be less than the minimum profit distribution ratio determined by the CMB, in cash or as bonus shares or as cash in a certain determined ratio or as bonus shares of a certain determined ratio. The public will be informed separately of any change to be made in this policy." In line with the decision taken at the General Meeting of Shareholders on April 3rd, 2013, a payment of dividends in the amount of TL 300 million was made, this to be paid out as of April 9th, 2013.

Changes in the Articles of Association during the Period

To ensure compliance with Turkish Commercial Code No. 6102, Capital Markets Law and other related regulations, the relevant changes with regard to the revision of Articles 2-4 and 6-21 of the Company's Articles of Association, the cancellation of Articles 22-27 and Provisional Article 1, Provisional Article 2 and Temporary Article 3 were made at the Company's General Meeting of Shareholders on April 3rd, 2013, on the basis of the permission of the Turkish Prime Ministerial Capital Markets Board, dated March 28th, 2013, numbered 29833736-110.03.02-908/3187 and the permission of the Turkish Customs and Trade Ministry, Internal Trade General Directorate, dated April 2nd, 2013, numbered 67300147/431.02-169-393437-3599 2498.

Personnel and Worker Movements and Collective Labor Agreement Practices

The Collective Labor Agreement with the Turkish Metals Union for the period September 1st, 2012 - August 31st, 2014 to provide coverage for workers at the Aygaz Gaz Aletleri Production Facility was signed on June 3rd, 2013; the Collective Labor Agreement with the Turkish Mariners Union for the period January 1st, 2013 - December 31st, 2014 was signed on July 1st, 2013 to provide coverage for our shipmen.

Our personnel are regularly and periodically provided with social rights in accordance with the law. Provisions for seniority pay at the end of the period and leave obligations totaled TL 24,485. (2012: TL 22,222,000)

Donations and Assistance Paid Out

At the ordinary general meeting of shareholders held in 2013, information was provided as a separate item on the agenda about the donations and assistance paid out during 2012; the donation limit for 2013 was determined as 5% of profit before taxes. No change has been made in customary donation practices. The total amount of donations paid out in 2013 is TL 5,118,634.

Agenda of the Aygaz Anonim Şirketi Ordinary General Meeting of Shareholders on March 31st, 2014 for the Year 2013

1. Opening and election of the Presiding Committee,
2. Reading of, deliberations on, and approval of the 2013 Annual Report drafted by the Company's Board of Directors,
3. Reading of the Independent Audit Report Summary for the accounting year 2013,
4. Reading of, deliberations on, and approval of the Financial Statements for the accounting year 2013,
5. Discharge from liability of each of the members of the Board of Directors and Auditors in respect to the duties performed during the year 2013,
6. As per Capital Markets Board regulations, presentation for approval of the "Profit Distribution Policy" for 2013 and subsequent years,
7. Approval, approval after modification or rejection of the Board of Directors' proposal concerning dividend distribution for 2013 and the dividend distribution date,
8. Determination of the number and terms of office of the members of the Board of Directors, the election based on the determined number of members, election of the Independent members of the Board of Directors,
9. Informing the shareholders about the Remuneration Policy for the members of the Board of Directors and senior executives and about the payments made within the scope of the policy and its approval in accordance with Corporate Governance Principles,
10. Determination of the monthly gross remuneration of the members of the Board of Directors,
11. Approval of the independent auditing firm selection of the Board of Directors in accordance with the Turkish Commercial Code and Capital Markets Board regulations,
12. Informing the shareholders of the transactions made by related parties in 2013 in accordance with the Capital Markets Board regulations,
13. Informing the shareholders about the assistance and donations made by the Company in 2013 and setting of an upper limit for the donations to be made in 2014,
14. In accordance with Capital Markets Board Regulations, informing Shareholders about revenues or benefits obtained by the Company and its subsidiaries from securities, pledges, mortgages and suretyships extended in favor of third parties in 2013,
15. Granting permission to the shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and blood relatives and relatives up to the second degree in accordance with articles 395 and 396 of the Turkish Commercial Code and, in line with the Capital Markets Board Corporate Governance Communiqué, informing the shareholders about the transactions carried out in this context during 2013.
16. Wishes and comments.

Proposal of the Board of Directors for Profit Distribution

Dear Shareholders,

As a result of the review of the Consolidated Financial Statement for the accounting period January 1st - December 31st, 2013 and the Independent Auditors' Report drawn up by the company, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited):

In the Company's Consolidated Balance Sheet, Total Assets are TL 3,188,306,000 and Total Shareholders' Equity is TL 2,242,971,000; a consolidated net profit after-tax of TL 205,253,000, and net profit of TL 110,647,008.89 for the period has been realized, according to legal records, from activities in 2013.

The 5% Legal Reserves, which must be allocated pursuant to Article 519 of the Turkish Commercial Code, were not allocated in the current year, as the amount allowed in prior years exceeded the ceiling.

It has been seen that in accordance with Capital Markets Law and Capital Markets Board regulations, a distributable profit of TL 205,253,000 has been posted for the period, and with the addition to this amount of the TL 5,118,633.71 in donations made during the year to tax-exempt foundations and associations, the first dividend base is found to be TL 210,371,633.71 while in legal records, a total of TL 781,379,512.77 distributable profit is seen, TL 110,647,008.89 of this amount being the profit for the current year, and it was resolved to propose, in accordance with CMB Communiqués and as shown on the dividend distribution table calculated and presented as addendum, that TL 175.000.000,- of the TL 205.253.000.- Current Period Profit be paid out to shareholders as Gross Cash Dividends, and that TL 16,000,000 be set aside as Second Issue Legal Reserves, the balance of TL 14,253,000,-to be transferred to the extraordinary reserves account,

Upon acceptance by the General Meeting of Shareholders of the dividend distribution proposal made above, distribution from the distributable profit of TL 781,379,512.77 based on our legal records shall be made as follows: the TL 80,352,991.11 portion of Net Period Profit for the current year of TL 110,647,008.89 shall be covered by Extraordinary Reserves, meaning that the TL 175,000,000 portion of a total of TL 191,000,000 will be paid out as gross cash dividends and the balance of TL 16,000,000 will be set aside as Second Issue Legal Reserves;

thus, our proposal for your approval, submitted below, is that:

• To all full-fledged taxpayer corporate shareholders and those of our limited taxpayer shareholders that obtain dividends through a workplace in Turkey or a permanent representative, shall be paid a 0.5833333 Kr gross=net cash dividend per 1 Kr nominal share, at 58.33333%,

• To other shareholders shall be paid gross 0.5833333 Kr, a net 0.4958333 Kr cash dividend, and

payments of dividends shall begin to be made on April 7, 2014.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board

Statements of Independence of the Independent Members of the Board of Directors

DECLARATION OF INDEPENDENCE **February 28th, 2014**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31st, 1960 and December 19th, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Ayşe Canan EDİBOĞLU

DECLARATION OF INDEPENDENCE **February 28th, 2014**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31st, 1960 and December 19th, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Tunç ULUĞ

DECLARATION OF INDEPENDENCE **February 28th, 2014**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the law to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31st, 1960 and December 19th, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Mansur ÖZGÜN

Profit Distribution Policy

The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the Company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the Company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets Regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Meeting of Shareholders; the date of distribution is resolved at the General Meeting. In the event the General Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an installments basis in line with Capital Markets Regulations.

According to the Articles of Association of the Company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations.

Remuneration Policy for the Board of Directors and Senior Management

This policy document defines the remuneration system and practices adopted with regard to members of the board of directors and senior management who have assumed administrative responsibilities within the scope of CMB regulations.

A fixed remuneration is allocated to each of the members of the board of directors, as determined annually at the ordinary general meeting of shareholders. Executive directors on the board shall receive a payment within a determined policy for senior management, the details of which are specified below.

The president and members of the Executive Committee, which will support the Company's Board of Directors in all matters related to the operations of the Company, may be remunerated at the end of each year for their contributions, their participation in meetings and on the basis of the functions they serve, in an amount determined by the board of directors within the framework of the opinion set forth by the Corporate Governance Committee. If a payment has been made to the members of the Executive Committee during the year, this amount shall be set off at the end of the year from the determined amount.

The performance-based payment plans of the Company may not be used in the remuneration of independent members of the board of directors.
The remuneration of members of the board is allocated on the basis of the dates of their appointment to and withdrawal from the board and according to the length of the term served. Expenses incurred by members of the board of directors in the course of their contributions to the Company (transportation, telephone, insurance costs) may be borne by the Company.

The remuneration of Senior Executives however is based on a fixed and performance-based salary comprised of two components.
The fixed salaries of Senior Executives are determined in line with macroeconomic data related to the market, general salary policies in the market, the size of the company, as well as long term goals, the position of the individual officer, and international standards and legal requirements.

Premiums for Senior Executives are calculated according to the premium baseline, Company performance and individual performance. Information on these criteria is summarized below:

- **Premium Baselines:** Premium Baselines are updated at the start of every year and may vary according to the size of the workload of the executive position. Premium baselines are updated in the light of senior executive premium policies in the market.

- **Company Performance:** Company performance is determined at the end of the period by measurement of the achievement of the financial and operational goals given to the Company (market share, exports, foreign operations, productivity, etc.). Company goals are based on the important principles of sustaining Company achievements and making improvements over previous years.

- **Individual Performance:** In determining individual performance, goals related to employees, customers, processes, technologies and long-term strategies are taken into consideration along with Company goals. In measuring individual performance, parallel with Company performance, long-term sustainable improvements are considered in addition to financial matters.

In the event a senior executive vacates his/her position in the company, severance indemnity may be paid on the basis of the term served in the position of senior executive, the contributions made to the Company, the last goal achievement premium paid out before the date of leaving the Company, and the salary and premiums paid out in the last year.

The total amounts paid out to Senior Management and Members of the Board of Directors according to the principles stated above are presented to the General Assembly for their information and/or approval in accordance with the law.

Auditor's Report On Annual Report

To the Board of Directors of Aygaz Anonim Şirketi,

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Aygaz A.Ş. ("Aygaz") and its subsidiaries (together "the Group") prepared as of December 31, 2013 are consistent with the audited consolidated financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communique related to the Determination of the Minimum Content of the Companies' Annual Report".

3. Our responsibility as independent auditors is to express an opinion on whether the financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated February 20, 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited consolidated financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Aygaz Anonim Şirketi are consistent with the audited consolidated financial statements as at December 31, 2013.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer,
Engagement Partner, SMMM

7 March 2014
Istanbul, Turkey

Independent Auditors' Report

To the Board of Directors of Aygaz Anonim Şirketi

We have audited the accompanying consolidated statement of financial position of Aygaz Anonim Şirketi (the Company) and its Subsidiaries (together will be referred to as the ''Group'') as at 31 December 2013 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group management's responsibility for the financial statements
The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly the financial position of Aygaz Anonim Şirketi and its Subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements
In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational effectiveness and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on July 15, 2013 and it is comprised of 2 members.

The committee has met 6 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner in charge

February 20, 2014
İstanbul, Turkey

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013

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AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

			Restated
		Current period (Audited)	Prior period (Audited)
Assets	**Notes**	December 31, 2013	December 31, 2012
Current assets		867.167	692.473
Cash and cash equivalents	4	173.054	125.365
Trade receivables		367.454	303.609
-Trade receivables from related parties	*31*	*18.360*	*15.241*
-Trade receivables from third parties	*8*	*349.094*	*288.368*
Other receivables		4.505	3.929
-Other receivables from third parties	*9*	*4.505*	3.929
Inventories	11	275.630	213.310
Prepaid expenses	19	39.762	38.021
Assets related to current year tax		40	507
Other current assets	18	6.722	7.732
Non-current assets		2.321.139	2.263.782
Financial investments	5	267.885	317.258
Trade receivables		6.756	5.087
-Trade receivables from third parties	*8*	*6.756*	*5.087*
Other receivables		77	32.811
-Other receivables from related parties	*9*	*-*	*32.750*
-Other receivables from third parties	*9*	*77*	*61*
Investments accounted under equity method	12	1.377.154	1.230.191
Property, plant and equipment	13	589.330	594.927
Intangible assets		30.562	35.145
-Other intangible assets	*14*	*30.562*	*35.145*
Prepaid expenses	19	49.136	48.291
Deferred tax asset	29	239	72
Total assets		3.188.306	2.956.255

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

Liabilities	Notes	Current period (Audited) December 31, 2013	Restated Prior period (Audited) December 31, 2012
Short term liabilities		**667.192**	**443.158**
Short-term financial borrowings	6	85.405	5.810
Current portion of long term financial borrowings	6	9.905	-
Trade payables		376.346	268.580
- Trade payables to related parties	*31*	*164.175*	*118.120*
- Trade payables to third parites	*8*	*212.171*	*150.460*
Liabilities for employee benefits	10	36.354	25.384
Other payables		578	391
- Other payables to related parties	*31*	*434*	*310*
- Other payables to third parties	*9*	*144*	*81*
Derivative financial instruments	7	-	135
Deferred income	20	2.968	2.481
Provision for taxation on income	29	2.649	3.459
Short-term provisions		85.373	39.733
-Other provisions	*17*	*85.373*	*39.733*
Other current liabilities	18	67.614	97.185
Long term liabilities		**277.538**	**132.562**
Long-term borrowings	6	142.497	-
Other payables		73.614	70.695
- Other payables to third parties	*9*	*73.614*	*70.695*
Long-term provisions		24.485	22.222
-Provisions for employee benefits	*16*	*24.485*	*22.222*
Deferred tax liabilities	29	36.942	39.645
Equity		**2.243.576**	**2.380.535**
Share capital	21	300.000	300.000
Adjustment to share capital	21	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(106)	(1.862)
-Actuarial gain/loss arising from defined benefit plans		*(106)*	*(1.862)*
Other comprehensive income or expenses to be reclassified to profit or loss		167.532	211.582
-Foreign currency translation differences		*1.875*	*1.024*
-Hedging gains/losses		*(1.208)*	*(3.095)*
-Gains/losses from the revaluation and reclassification of marketable securities	*21*	*166.865*	*213.653*
Restricted reserves	21	277.875	307.846
Retained earnings		1.228.355	1.193.454
Net profit for the period		205.253	304.930
Equity attributable to equity holders of the parent		**2.242.971**	**2.380.012**
Non-controlling interests	21	**605**	**523**
Total equity and liabilities		**3.188.306**	**2.956.255**

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	(Audited) January 1-December 31, 2013	*Restated* (Audited) January 1-December 31, 2012
Revenue	22	6.004.984	5.586.059
Cost of sales (-)	22	(5.433.640)	(5.064.990)
Gross profit		571.344	521.069
Marketing, sales and distribution expenses (-)	23	(229.744)	(213.651)
General administrative expenses (-)	23	(167.087)	(137.644)
Research and development expenses (-)	23	(2.984)	(2.521)
Other operating income	25	58.253	63.771
Other operating expenses (-)	25	(59.598)	(25.149)
Operating profit		170.184	205.875
Income from investment activities	26	1.258	4.293
Loss from investment activities (-)	26	(234)	(534)
Profit /losses from investments accounted under equity method	12	63.242	134.575
Operating profit before financial income / (expense)		234.450	344.209
Financial income	27	19.365	20.414
Financial expense (-)	28	(16.856)	(19.747)
Profit before taxation		236.959	344.876
Tax income / (expense)			
- Current tax expense for the period (-)	29	(32.361)	(38.247)
- Deferred tax income / (expense)	29	737	(1.664)
Profit for the period		205.335	304.965
Other comprehensive income / (expense)			
Not to be reclassified as profit or loss			
Actuarial gain/loss arising from defined benefit plans, netted off deferred tax		1.756	(1.443)
To be reclassified as profit or loss			
Foreign currency translation differences		851	(288)
Gains/losses from the revaluation and reclassification of marketable securities		(46.788)	69.246
Hedging gains/losses		1.887	3.388
Other comprehensive income / (expense) (after taxation)		(42.294)	70.903
Total comprehensive income		163.041	375.868
Distribution of profit for the period			
Non-controlling interest		82	35
Equity holders of the parent		205.253	304.930
Distribution of total comprehensive income			
Non-controlling interest		82	35
Equity holders of the parent		162.959	375.833
Earnings per share (TL)	30	0,684177	1,016433

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

Transfers from retained earnings				Other comprehensive income or expenses not to be reclassified to profit or loss	Other comprehensive income or expenses to be reclassified to profit or loss								
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain/ loss arising from defined benefit plans	Foreign currency translation adjustment	Hedging gains/ losses	Gains/losses from the revaluation and reclassification of marketable securities	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited													
1 January 2012 - previously reported	300.000	71.504	(7.442)	-	1.312	(6.483)	144.407	384.230	886.954	379.697	2.154.179	452	2.154.631
Change in accounting policy: - TAS 19 (Note 2.2)	-	-	-	(419)	-	-	-	-	375	44	-	-	-
Balance as of January 1, 2012 – restated	300.000	71.504	(7.442)	(419)	1.312	(6.483)	144.407	384.230	887.329	379.741	2.154.179	452	2.154.631
Transfers from retained earnings	-	-	-	-	-	-	-	-	379.741	(379.741)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	(76.384)	76.384	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(150.000)	-	(150.000)		(150.000)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	36	36
Comprehensive income / (loss) for the period	-	-	-	(1.443)	(288)	3.388	69.246	-	-	304.930	375.833	35	375.868
Balance as of December 31, 2012	300.000	71.504	(7.442)	(1.862)	1.024	(3.095)	213.653	307.846	1.193.454	304.930	2.380.012	523	2.380.535
Audited													
Balance as of January 1, 2013 – previously reported	**300.000**	**71.504**	**(7.442)**	**-**	**1.024**	**(3.095)**	**213.653**	**307.846**	**1.193.035**	**303.487**	**2.380.012**	**523**	**2.380.535**
Change in accounting policy: - TAS 19 (Note 2.2)	**-**	**-**		**(1.862)**	**-**	**-**	**-**	**-**	**419**	**1.443**	**-**	**-**	**-**
Balance as of January 1, 2013 – restated	**300.000**	**71.504**	**(7.442)**	**(1.862)**	**1.024**	**(3.095)**	**213.653**	**307.846**	**1.193.454**	**304.930**	**2.380.012**	**523**	**2.380.535**
Transfers from retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304.930**	**(304.930)**	**-**	**-**	**-**
Transfers to reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28.500**	**(28.500)**	**-**	**-**	**-**	**-**
Dividends paid (note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(300.000)**	**-**	**(300.000)**	**-**	**(300.000)**
Transfers from restricted reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(58.471)**	**58.471**	**-**	**-**	**-**	**-**
Comprehensive income / (loss) for the period	**-**	**-**	**-**	**1.756**	**851**	**1.887**	**(46.788)**	**-**	**-**	**205.253**	**162.959**	**82**	**163.041**
Balance as of December 31, 2013	**300.000**	**71.504**	**(7.442)**	**(106)**	**1.875**	**(1.208)**	**166.865**	**277.875**	**1.228.355**	**205.253**	**2.242.971**	**605**	**2.243.576**

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	Audited January 1- December 31, 2013	Restated Audited January 1- December 31, 2012
A. Cash flows from operating activities		235.081	160.888
Profit/loss before tax for the period		236.959	344.876
Adjustments related with the reconciliation of net profit/loss for the period		71.618	(77.522)
-Adjustments for depreciation and amortization expenses	13, 14	82.140	78.927
-Adjustments for provisions		52.885	722
-Adjustments for interest income and expenses	27, 28	1.942	(15.433)
-Adjustments for income from equity participations	12	(63.242)	(134.575)
-Adjustments for profit/ loss on sale of tangible/intangible assets		(1.024)	(5.460)
-Other adjustments for reconciliation of profit/ loss		(1.083)	(1.703)
Changes in working capital		(37.681)	(61.338)
-Adjustments for increase/decrease in inventories		(62.749)	(32.912)
-Adjustments for increase/decrease in trade receivables		(67.650)	(9.356)
-Adjustments for other current assets and liabilities		26.271	(9.794)
-Adjustments for increase/ decrease in trade payables		107.766	18.073
-Adjustments for other non-current assets and long-term liabilities		(41.319)	(27.349)
Cash flows from operating activities		270.896	206.016
Tax payments/returns		(32.703)	(40.870)
Other cash inflow/outflows	16	(3.112)	(4.258)
B. Cash flows from investing activities		(118.298)	(160.328)
Cash inflows from the sale of property, plant and equipment and intangible assets		5.977	9.533
Cash outflows from the purchase of property, plant and equipment and intangible assets	13, 14	(76.484)	(97.102)
Share capital participation to subsidiaries		(47.791)	(72.759)
C. Cash flows from financing activities		(69.945)	(130.521)
Net change in borrowings		222.875	4.046
Dividends paid	21	(300.000)	(150.000)
Interest received	27	7.180	15.433
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		46.838	(129.961)
D. Impact of foreign currency translation differences on cash and cash equivalents		851	1.024
Net increase/decrease in cash and cash equivalents		47.689	(128.937)
E. Cash and cash equivalents at the beginning of the period	4	125.365	254.302
Cash and cash equivalents at the end of the period	4	173.054	125.365

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Aygaz Anonim Şirketi ("the Company") is the purchase of liquid petroleum gas (LPG) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. As a result of the merger in 2001 with Gaz Aletleri A.Ş., the Company started to manufacture LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company's main business and which are necessary equipment for the end-user. In addition, the Company owns LPG vessels and provides transportation service on behalf of other LPG companies. The ultimate and controlling shareholder is Koç Holding A.Ş.

The Company is registered at the Capital Markets Board of Turkey ("CMB") since 1961 and as of December 31, 2013 24,27% of its shares have been quoted at the Istanbul Stock Exchange ("ISE").

The address of the registered office of the Company is as follows:

Büyükdere Cad. No: 145/1 Aygaz Han, Zincirlikuyu, 34394 / İstanbul

As of December 31, 2013, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") is 724 white-collar (2012: 746) and 703 blue-collar (2012:667) totaling to 1.427 (December 31, 2012: 1.413).

Subsidiaries

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş, later it was changed to "Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi" with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through its own organization and dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from real persons and raised Group's effective control to 100%.

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together "Aygaz Doğal Gaz") is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities. Aygaz Doğal Gaz Toptan Satış A.Ş. has decided to increase its share capital from TL 28.000 thousand to TL 33.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount in cash and the payment was realized on March 2, 2012. The Group's share in Aygaz Doğal Gaz Toptan Satış A.Ş. has increased to 99,15%. Aygaz Doğal Gaz İletim A.Ş. has decided to increase its share capital from TL 3.700 thousand to TL 9.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount in cash and the payment was realized on March 2, 2012. The Group's share in Aygaz Doğal Gaz İletim A.Ş. has increased to 99,59%.

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. ("Anadoluhisarı"), Kandilli Tankercilik A.Ş. ("Kandilli"), Kuleli Tankercilik A.Ş. ("Kuleli") and Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk") with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

The details of the Group's subsidiaries are as follows:

		Ownership interest (%)			
Subsidiaries	Place of incorporation and operation	December 31, 2013	December 31, 2012	Voting power right	Principal activity
Mogaz (*)	Turkey	-	100%	-	LPG
Anadoluhisarı	Turkey	100%	100%	100%	Shipping
Kandilli	Turkey	100%	100%	100%	Shipping
Kuleli	Turkey	100%	100%	100%	Shipping
Kuzguncuk	Turkey	100%	100%	100%	Shipping
Akpa	Turkey	100%	100%	100%	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,15%	99,15%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,59%	99,59%	Natural gas

(*) Registration procedures regarding the merger of Aygaz, with Mogaz Petrol Gazları A.Ş., 100% owned subsidiary through a whole take-over of all assets and liabilities based on the balance sheet dated June 30, 2012, were completed on January 22, 2013.

Investments in associates

In December 2005, Enerji Yatırımları A.Ş. ("EYAŞ") was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"), to participate in Tüpraş's management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey.

AES Entek Elektrik Üretim A.Ş. (AES Entek), the electricity producer company of Koç Group, has been operating with its two natural gas cycling plants and one cogeneration facility with a total of 302 MW power in Kocaeli, Bursa and Istanbul, and two hydroelectric power plants in Karaman and one hydroelectric power plant in Samsun with a total of 62 MW power.

AES Entek increased its share capital from TL 402.000 thousand to TL 538.500 thousand with the decision taken through Ordinary General Meeting held on April 30, 2013. The Company has netted of TL 32.750 thousand of related increase, which corresponds to the preferential right of the Company, from the shareholder loan provided to AES Entek, and the remaining balance amounting to TL 1.113 thousand has been paid in cash in May 2013.

The details of the Group's associates are as follows:

		Ownership interest (%)			
Investments in associates	Place of incorporation and operation	December 31, 2013	December 31, 2012	Voting power right	Principal activity
EYAŞ	Turkey	20,00%	20,00%	20,00%	Energy
AES Entek Elektrik Üretimi A.Ş ("AES Entek")	Turkey	24,81%	24,81%	24,81%	Electricity
Zinerji (*)	Turkey	56,00%	56,00%	56,00%	Energy

(*) Since Zinerji is a dormant company, it is accounted with equity method in the accompanying consolidated financial statements even though the ownership of the Group is 56%.

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

Joint ventures

Opet Aygaz Gayrimenkul A.Ş was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş, which is the Company’s business partner, operating in distribution of fuel products. It’s main activity is to establish, purchase, operate and rent fuel and LPG stations.

The details of the Group’s business partnerships are as follows:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	December 31, 2013	December 31, 20123	Voting power right	Principal activity
Opet Aygaz Gayrimenkul A.Ş	Turkey	50,00%	-	50,00%	Real Estate

Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2013 are approved in the Board of Directors meeting held on February 20, 2014 to be published and are signed by Assistant General Manager (Finance) Gökhan Tezel and Subsidiaries and Accounting Director Nurettin Demirtaş. The General Assembly has the power to amend the consolidated financial statements after issue.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

The consolidated financial statements are prepared in thousands of Turkish Lira (“TL”) based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values.

2.2 Change in accounting policies, accounting estimates and errors

Changes in accounting policies or accounting errors noted are applied retroactively and the financial statements of the previous year are adjusted. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

According to TAS 19, employee benefits, effective from January 1, 2013, employee termination benefits related to provision of actuarial gain/loss required to represent in other comprehensive income. Besides standard requires to make a distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The Group has adopted the amendments in IAS 19, which basically requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order to reflect any change in the liability recognized in the consolidated statement of financial position, and has retrospectively applied related changes in its financial statements dated June 30, 2013. In this respect, the Group evaluated the monetary impact of this accounting policy change on the consolidated financial statements for the years ended December 31, 2011 and December 31, 2012 and has restated prior year financial statements accordingly. However based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions.

Regarding with the improvements in IFRS on classification of spare parts and maintenance equipments, applicable for the periods beginning as of January 1, 2013 and thereafter, spare parts and maintenance equipment amounting to TL 3.493, which were accounted under inventories, have been transferred to property, plant and equipment (Note 13).

2.3 Comparative information and reclassifications on prior period financial statements

In order to enable determination of financial position and performance trends, the Group's consolidated financial statements are prepared in comparison with prior period. In order to provide an accurate comparison with current period, comparative figures are reclassified when necessary and significant differences are explained.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Group's financial statements pursuant to these formats which have taken effect. The classifications made in the balance sheet of the Company as of December 31, 2012 and in the consolidated profit or loss and other comprehensive income statement for the period ended December 31, 2012 are as follows:

- Prepaid expenses amounting to TL 38.021 thousand shown in other current assets were classified as a separate account in the balance sheet.
- Prepaid expenses amounting to TL 48.291 thousand shown in other non-current assets were classified as a separate account in the balance sheet.
- Prepaid corporate tax and taxes and funds deductible amounting to TL 507 thousand shown in other current assets were classified under "Assets related to current year tax" in current assets.
- Other financial liabilities account was renamed as "Derivative financial instruments".
- Payable to personnel and employee taxes payable amounting to TL 13.725 thousand and TL 11.659 thousand, respectively shown under short-term other payables and other short-term liabilities were classified under "Liabilities for employee benefits".
- Advances taken, deferred income and deferred interest income from credit sales amounting to TL 2.481 thousand shown in other short-term liabilities were classified under "Deferred income".
- Provisions for vacation pay liability amounting to TL 2.321 thousand shown in other short-term liabilities were classified to "Provisions for employee benefits" under long-term liabilities.
- Provision for other liabilities account was renamed as "Other provisions" and grouped under the short-term provisions shown under short-term liabilities.
- Expense accruals amounting to TL 37.356 thousand shown in other short-term liabilities were classified to "Other provisions" grouped under the short-term provisions.
- Valuation fund on financial asset was renamed as "Revaluation and reclassification gains/losses of marketable securities".
- Revaluation and reclassification gains/losses of marketable securities, hedging gains/losses and foreign currency translation differences were grouped under the account of "Other comprehensive income to be reclassified to profit or loss".
- Sales revenue (net) was renamed as "Revenue".
- Foreign exchange gains related with the trade payables and receivables, and interest income from credit sales, amounting to TL 30.797 thousand, shown under the finance income account were classified to "Other operating income".
- Foreign exchange losses related with the trade payables and receivables, and interest expenses from credit purchases, amounting to TL 10.737 thousand, shown under finance expense account were classified to "Other operating expenses".
- Foreign exchange reclassification amounting to TL 8.831 thousand has been made between other operating income and other operating expenses accounts.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

- Income from the property, plant and equipment and intangible assets amounting to TL 4.293 thousand shown under other operating income was classified to "Income from investment activities".
- Losses from the property, plant and equipment and intangible assets amounting to TL 534 thousand shown under other operating expenses were classified to "Loss from investment activities".

2.4 Consolidation principles

(a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates and business partnerships, which have been prepared in accordance with guidelines defined in the items (b) to (h). The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the Companies controlled by Aygaz when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

Balance sheets and income statements of subsidiaries have been fully included into consolidation and the book values and equities of such subsidiaries which are owned by the Company, have been netted off. All inter-group transactions, balances, income and expenses are eliminated on consolidation. Book values of the shares owned by the Company and related dividends have been netted off from related equity and income statement accounts.

(d) Investments in associated have been accounted using the equity method. These are institutions in which the Company has a voting power between 20% to 50% or in which the Company has a significant influence even though it does not have a controlling power.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair value can be measured reliably, otherwise at cost.

(e) Financial assets, in which the Group does not have a total voting power of 20% or even though it has a voting power above 20% but does not have a significant influence, or which are immaterial for the consolidated financial statements, or such assets which are not traded in an organized market or whose fair values cannot be measured reliably, are presented with cost values, after deducting the impairment, if any.

Available for sale financial assets, in which the Group does not have a total voting power of 20% or does not have a significant influence and which have market values in actively quoted markets and whose fair values can be reliably measured, are presented at fair values in the financial statements.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

(g) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

(h) Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as a part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

2.5 Adoption of new and revised International Financial Reporting Standards

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).
New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The Company / the Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.2.

However, based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. The Group has consolidated Opet Aygaz Gayrimenkul A.Ş., which was established in 2013, in accordance with this amendment by the equity method.

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Group.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. The Group has presented these disclosures in Note 32.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements are modified in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

TAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment will not have any impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 2.3. in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

i) the subsidiary holding the equity based financial instruments of the parent,

ii) the associates or joint ventures holding the equity based financial instruments of the parent,

iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

2.6 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

• The Group has transferred all the significant risks and rewards of ownership of the goods and services to the buyer;
• The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and services provided;
• The amount of revenue can be measured reliably;
• It is probable that the economic benefits associated with the transaction will flow to the entity; and
• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services:

Revenue is recognized by when it is probable that the economic benefits associated with the transaction will flow to the entity and the. When an uncertainty occurs about the collectability of revenue recognized, the uncollected revenue is not deducted from the revenue. Instead, it is recognized as expense in the financial statements.

The assumptions for the reliability of revenue recognition after the agreement of third parties is as follows:

• Contractual rights of each parties under sanction according to the agreement
• Service fee
• Payment terms and conditions

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

2.8 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost elements included in inventories are materials, labour and factory overheads. Overheads include, expenses directly related to production such as direct labor expenses. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are not included into costs. Depreciation of these assets, begins when the assets are ready for their intended use.

With the exception of land and construction in progress, the costs of property, plant and equipment are subject to depreciation using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Economic useful lives of property, plant and equipment are as follows:

	Useful lives
Buildings	25-50 years
Land improvements	10-25 years
LPG Cylinders	10 years
Plant, machinery and equipment	4-25 years
Vessels	10-20 years
Vehicles	3-15 years
Furnitures and fixtures	5-50 years
Leasehold improvements	4-10 years

2.10 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (4 15 years).

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 – 5 years).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.11 Impairment of assets

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recorded directly to profit and loss statement.

2.13 Financial instruments

2.13.1 Financial assets

Financial assets are classified into the following specified categories: financial assets as ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity investments’, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification is made considering the purpose of acquisition of financial asset and its specifications, at the time of initial recording of the asset.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value. Similarly, investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since the fair value of these investments can not be measured reliably. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends related to available for sale equity items are accounted in income statement, in case the group has earned a right for dividends.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.13.2 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are recognized in Group's balance sheet in case the Group is a party related to the liability.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Other financial liabilities

Trade payables are recognized at fair value and subsequently measured at amortized cost using effective interest rate method.

2.13.3 Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

These derivative instruments are recorded at fair value at the beginning of the contract and subsequently measured with its fair value. If the fair value is positive, derivatives are classified as financial asset or otherwise financial liability.

Such derivative instruments are generally accounted as trading derivative instruments in consolidated financial statements, because they do not have related specifications in terms of hedge accounting. The gains and losses related to the changes in fair values of such financial instruments are shown in the income statement.

2.14 Business combinations

Before January 1, 2010 business combinations carried out by the group has accounted for using the acquisition method according to before revised IFRS 3 "Business Combinations".

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

Partial share sale and purchase transactions settled with minority shareholders

The Group evaluates the share transactions realized with non-controlling interests as transactions within the shareholders. Consequently, the difference between the purchase cost and the net asset purchased from other shareholders are accounted under shareholders' equity in "subsidiary share purchase transactions" whereas share sale transactions to parties other than parent company are accounted as "transactions with non-controlling interest".

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.15 Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of participations and subsidiaries that are included in the scope of consolidation is TL.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

2.16 Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Free Shares" to shareholders from retained earnings. In computing earnings per share, such "free share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.17 Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

The Group restates its financial statements if subsequent events which require restatement arise.

2.18 Provisions, contingent liabilities, contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.19 Related parties

Parties are considered related to the Company if;

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;
ii) has significant influence over the reporting entity; or
iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b)The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

i) Entity and Company are members of the same Group;
ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
iii) Both entities are joint ventures of the same third party;
iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
vi) The entity is controlled or jointly controlled by a person identified in (a);
vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In accordance with the purposes of consolidated financial statements, shareholders, important management personnel and members of board of director, their families and companies controlled by them or depend upon them, the affiliates and partnerships and Koç Group companies are accepted and presented as related parties.

2.20 Segmental information

The Group management assumes three operating segments to evaluate performance and source utilization decisions. These segments are gas and petroleum products, electricity and other operations. These operating segments are managed separately as the risk and return of these segments are affected by different economic conditions and geographical locations. The Group Management believes that financial results prepared according to TFRS are the best approach to evaluate performance of these operating segments.

2.21 Taxation and deferred tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Corporate tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.22 Employment benefits

Defined benefit plan:

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. All actuarial profits and losses are recognized in consolidated statements of income. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the shareholder's equity as other comprehensive income.

Defined contribution plan:

Group, has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.23 Statement of cash flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

2.24 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.25 Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured.
- If the good will be sold or will be used within the company.
- If there's a potential market or can be proved that it is used within the company.
- If necessary technological, financial and other resources can be provided to complete the Project.

Other development expenditures are recognized as expense as incurred.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2013, the Group has not capitalized research and development expenses. (December 31, 2012: TL 2.622 thousand).

2.26 Important accounting policies and applications

Accounting policies which have material effects on book values of assets and liabilities are as follows:

a) Property plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13,14). Estimations of such useful lives are based on the expectations of Group management.

b) The Group Management uses market values for equity items traded in active markets, while determining fair values of available for sale financial assets for sale. For other available for sale financial assets for sale, fair values are determined in line with generally accepted valuation principles using current economical data, trends in the market and expectations.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,8%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and considering price/equity ratio of recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, discount rate of 16,3% (2012: 12,9) has been taken into consideration. The average of maximum and minimum values that are formed by calculations using these methods are reflected in the recordings as fair value (Note 5).

c) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the periodic impairment test for the receivables, the debtors are assessed with their prior year performances and provision is accounted accordingly (Note 8).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

d) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 17).

e) Actuarial assumptions used on turnover ratio, discount rate and salary increase to calculate the employee benefit provision. Calculation details have been provided in related disclosure (Note 16).

f) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 29). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SEGMENT INFORMATION

The segmental operations are specified according to the internal reports reviewed regularly by the authority entitled to making decision for the Group's operations.

The Group's decision making authority evaluates operations and results according to industrial segments for the purpose of making decisions for assigning resources to the segments and evaluating the segmental performances. The distribution of segmental operations with respect to industrial segments is as follows:

- Gas and petroleum products
- Electricity
- Other

The Group Management evaluates financial results and performance based of TFRS financial statements. Therefore, TFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit, operating profit and earnings before interest, tax, depreciation and amortization.

(Amounts expressed in thousands of Turkish Lira ("TL")
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3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2013 and 2012, assets and liabilities according to industrial segments are as follows:

					December 31, 2013
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	755.763	-	124.742	(13.338)	867.167
Non-current assets	1.891.932	-	119.068	310.139	2.321.139
Total assets	2.647.695	-	243.810	296.801	3.188.306
Liabilities					
Short term liabilities	623.359	-	61.405	(17.572)	667.192
Long term liabilities	266.238	-	9.613	1.687	277.538
Equity	1.758.098	-	172.792	312.686	2.243.576
Total liabilities and equity	2.647.695	-	243.810	296.801	3.188.306
Investments accounted under equity method	1.145.592	184.393	47.169	-	1.377.154

					December 31, 2012
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	646.641	-	103.803	(57.971)	692.473
Non-current assets	2.018.409	-	118.783	126.590	2.263.782
Total assets	2.665.050	-	222.586	68.619	2.956.255
Liabilities					
Short term liabilities	461.730	-	39.399	(57.971)	443.158
Long term liabilities	122.935	-	6.306	3.321	132.562
Equity	2.080.385	-	176.881	123.269	2.380.535
Total liabilities and equity	2.665.050	-	222.586	68.619	2.956.255
Investments accounted under equity method	1.056.322	173.506	363	-	1.230.191

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3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2013 and 2012, income and loss according to industrial segments are as follows:

					January 1 - December 31, 2013
Marketing, sales and distribution expenses (-)	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	5.735.122	-	407.870	(138.008)	6.004.984
Cost of sales (-)	(5.215.803)	-	(358.770)	140.933	(5.433.640)
Gross profit	519.319	-	49.100	2.925	571.344
Marketing, sales and distribution expenses (-)	(215.516)	-	(14.228)	-	(229.744)
General administrative expenses (-)	(150.640)	-	(17.369)	922	(167.087)
Research and development expenses (-)	(2.984)	-	-	-	(2.984)
Other operating income	79.061	-	6.319	(27.127)	58.253
Other operating expenses (-)	(55.496)	-	(3.979)	(123)	(59.598)
Operating profit	173.744	-	19.843	(23.403)	170.184
Income from investment activities	1.459	-	24	(225)	1.258
Loss from investment activities (-)	(234)	-	-	-	(234)
Profit/losses from investments accounted under equity method	-	-	-	63.242	63.242
Operating profit before financial income / (expense)	174.969	-	19.867	39.614	234.450
Financial income	15.681	-	3.684	-	19.365
Financial expense (-)	(15.732)	-	(1.124)	-	(16.856)
Profit before taxation	174.918	-	22.427	39.614	236.959
Tax income / (expense)					
Current tax expense for the period (-)	(30.831)	-	(1.530)	-	(32.361)
Deferred tax income / (expense)	441	-	179	117	737
Profit for the period	144.528	-	21.076	39.731	205.335
Distribution of profit for the period:					
Non-controlling interest	82	-	-	-	82
Equity holders of the parent	144.446	-	21.076	39.731	205.253
Investments accounted under equity method	86.090	(24.654)	1.806	-	63.242

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3. SEGMENT INFORMATION (CONTINUED)

	January 1 - December 31, 2012				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	5.398.666	-	326.691	(139.298)	5.586.059
Cost of sales (-)	(4.919.423)	-	(286.815)	141.248	(5.064.990)
Gross profit	479.243	-	39.876	1.950	521.069
Marketing, sales and distribution expenses (-)	(203.891)	-	(9.760)		(213.651)
General administrative expenses (-)	(124.518)	-	(14.051)	925	(137.644)
Research and development expenses (-)	(2.521)	-	-		(2.521)
Other operating income	70.006	-	5.739	(11.974)	63.771
Other operating expenses (-)	(20.891)	-	(4.483)	225	(25.149)
Operating profit	197.428	-	17.321	(8.874)	205.875
Income from investment activities	4.163	-	112	18	4.293
Loss from investment activities (-)	(534)	-	(1.438)	1.438	(534)
Profit/losses from investments accounted under equity method	-	-	-	134.575	134.575
Operating profit before financial income / (expense)	201.057	-	15.995	127.157	344.209
Financial income	17.350	-	3.168	(104)	20.414
Financial expense (-)	(18.815)	-	(1.036)	104	(19.747)
Profit before taxation	199.592	-	18.127	127.157	344.876
Tax income / (expense)					
Current tax expense for the period (-)	(36.799)	-	(1.448)	-	(38.247)
Deferred tax income / (expense)	(1.150)	-	(89)	(425)	(1.664)
Profit for the period	161.643	-	16.590	126.732	304.965
Distribution of profit for the period:					
Non-controlling interest	35	-	-	-	35
Equity holders of the parent	161.608	-	16.590	126.732	304.930
Investments accounted under equity method	148.464	(13.886)	(3)	-	134.575

The amortization and depreciation expense for the industrial segmental assets as of December 31, 2013 and 2012 is as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Gas and petroleum products	74.973	72.190
Other	7.167	6.737
	82.140	78.927

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3. SEGMENT INFORMATION (CONTINUED)

The investment expenditures for the industrial segmental assets as of December 31, 2013 and 2012 are as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Gas and petroleum products	73.968	95.218
Other	2.516	1.884
	76.484	97.102

4. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash on hand	356	232
Cash at banks	140.136	99.545
- Demand deposits	*16.187*	*33.146*
- Time deposits	*123.949*	*66.399*
Receivables from credit card transactions	32.562	25.588
Total cash and cash equivalents	173.054	125.365

As of December 31, 2013 the Group's TL time deposits amounting to TL 76.670 thousand have maturities of 2 – 32 days and interest rates of 6,5 – 9,4%; USD time deposits amounting to USD 22.150 thousand (TL 47.275 thousand) have a maturity of 2 days and an interest rate of 1,9% (As of December 31, 2012 the Group's TL time deposits amounting to TL 46.016 thousand have maturities of 2 – 35 days and interest rates of 6 – 8%; USD time deposits amounting to USD 11.400 thousand (TL 20.231 thousand) have a maturity of 2 days and an interest rate of 2%).

5. FINANCIAL ASSETS

The Group's long term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	265.950	1,97	315.200	1,97
Ram Dış Ticaret A.Ş. (**)	1.338	2,50	1.463	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	34	0,08	32	0,08
Other (***)	23	-	23	-
	267.885		317.258	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity by considering the deferred tax effect.

(**) Stated at fair value, impairments are accounted as "Impairment reserve" under financial assets and impairment loss is recognized in the statement of profit and loss.

(***) Stated at cost, because fair value could not be determined reliably.

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6. FINANCIAL BORROWINGS

Short term bank borrowings

	December 31, 2013	Interest rate (%)	December 31, 2012	Interest rate (%)
Short term borrowings (USD)	85.372	1,79 - 1,85	-	-
Short term borrowings (TL)	33	-	5.810	-
Total short term bank borrowings	85.405	1,79 - 1,85	5.810	

Long term borrowings

On April 18, 2013, the Group has issued a fixed rate bond with a nominal value of TL 150.000 thousand, with a maturity of 700 days and half-yearly coupon payments. As of December 31, 2013, net present value of the issued bond is TL 152.402 thousand (Amounting to TL 9.905 is shown as current portion of long term financial borrowings) and its effective interest rate is 7,26%.

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2013, the Group does not have any derivative financial instruments. (As of December 31, 2012, the Group has forward contracts with an average maturity of three months and nominal amounts of USD 14.430. The Group recognized the difference between net book value and fair value as of December 31, 2012, amounting to TL 135 thousand in derivative financial instruments under short-term liabilities).

8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's trade receivables as December 31, 2013 and 2012 are as follows:

Current trade receivables	December 31, 2013	December 31, 2012
Trade receivables	300.896	251.989
Notes receivables	64.892	51.937
Allowance for doubtful receivables (-)	(16.694)	(15.558)
Total current trade receivables	349.094	288.368

Non-current trade receivables	December 31, 2013	December 31, 2012
Notes receivable	6.756	5.087
Total non-current trade receivables	6.756	5.087

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8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES (CONTINUED)

Movement of allowance for doubtful receivables	January 1 - December 31, 2013	January 1 - December 31, 2012
Balance at beginning of year	15.558	15.220
Additional provision	2.136	1.921
Written off (*)	-	(946)
Collections	(1.000)	(637)
Closing balance	16.694	15.558

(*) Uncollectible doubtful receivables and related allowances are written off.

Allowance for doubtful receivables has been raised per customer, based on the past experiences of the Company management.

Level and composition of risks of trade receivables are explained in note 32.

The Group's trade payables as of December 31, 2013 and 2012 are as follows:

Short term trade payables	December 31, 2013	December 31, 2012
Trade payables	212.171	150.460
Total short term trade payables	212.171	150.460

9. OTHER TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other trade receivables and payables as of December 31, 2013 and 2012 are as follows:

Other current receivables	December 31, 2013	December 31, 2012
Guarantees and deposits given	2.414	3.031
Other receivables	2.091	898
Total other current receivables	4.505	3.929

Non-current receivables	December 31, 2013	December 31, 2012
Loans provided to participations (*)	-	32.750
Guarantees and deposits given	77	61
Total non-current receivables	77	32.811

(*) Company, which owns 24,81% of AES Entek has decided to provide AES Entek a shareholder loan to be used mainly for investments in electricity production by percentage of ownership. Accordingly, the Company has provided shareholder loan to AES Entek with its portion amounting to TL 32.750 thousand. The interest rate is TRLIBOR + 3,75% and the interest rate of first interest payment is 14,3244% and is due semi-annually. The following interest payments will be due in three or six months and capital payment will be made at the fifth year. AES Entek increased its share capital from TL 402.000 thousand to TL 538.500 thousand with the decision taken through Ordinary General Meeting held on April 30, 2013. The Company has netted of TL 32.750 thousand of related increase, which corresponds to the preferential right of the Company, from the shareholder loan provided to AES Entek, and the remaining balance amounting to TL 1.113 thousand has been paid in cash in May 2013.

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9. OTHER TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES (CONTINUED)

As of December 31, 2013 and 2012, other payables of the Group are as follows:

Other short term payables	December 31, 2013	December 31, 2012
Deposits and guarantees taken	144	81
Total other short term payables	144	81

Other long term payables	December 31, 2013	December 31, 2012
Cylinder deposits received	73.614	70.695
Total other long term payables	73.614	70.695

10. LIABILITIES FOR EMPLOYEE BENEFITS

As of December 31, 2013 and 2012, liabilities for employee benefits of the Group are as follows:

Liabilities for employee benefits	December 31, 2013	December 31, 2012
Payables to personnel	20.949	13.724
Employee's income tax payable	12.872	9.451
Social security liabilities	2.533	2.209
Total liabilities for employee benefits borçlar	36.354	25.384

11. INVENTORIES

	December 31, 2013	December 31, 2012
Raw materials	223.889	156.168
Trade goods	21.080	20.545
Goods in transit	19.333	30.746
Finished goods	10.596	5.451
Work in process	961	629
Allowance for impairment on inventory	(229)	(229)
Total inventories	275.630	213.310

As of December 31, 2013, the inventories compromise of 71.441 tons of LPG (December 31, 2012: 61.647 tons).

Movement of allowance for impairment on inventory of the Group is as follows:

Movement of allowance for impairment on inventory	January 1 - December 31, 2013	January 1- December 31, 2012
Opening balance	229	229
Additional provision	-	-
Closing balance	229	229

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12. EQUITY INVESTMENTS

	December 31, 2013		December 31, 2012	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Enerji Yatırımları A.Ş. acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation reserve	1.875		1.024	
Legal reserves	5.509		5.509	
Financial risk hedge fund	(1.208)		(3.095)	
Actuarial gain/loss arising from defined benefit plans	(273)		(715)	
The share of the Group in the retained earnings after the acquisition date	477.731		391.641	
	1.145.592	20,00%	1.056.322	20,00%
AES Entek acquisition value	118.930		118.930	
Participation in share capital increase of equity investment	108.300		72.759	
The share of the Group in the retained earnings after the acquisition date	(42.837)		(18.183)	
	184.393	24,81%	173.506	24,81%
Zinerji Enerji Sanayi ve Tic. A.Ş. (establishment cost)	738		738	
Group's share in accumulated profit occurred after the date of establishment	1.313		(375)	
	2.051	56,00%	363	56,00%
Opet Aygaz Gayrimenkul A.Ş.	45.000		-	
Group's share in accumulated profit occurred after the date of establishment	118		-	
	45.118	50,00%	-	-
Total	1.377.154		1.230.191	

(Amounts expressed in thousands of Turkish Lira ("TL")
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12. EQUITY INVESTMENTS (CONTINUED)

Financial information on Enerji Yatırımları A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2013**	December 31, 2012
Total assets	**26.052.920**	21.760.735
Total liabilities	**(16.712.928)**	(12.959.753)
Non-controlling interest	**(3.612.030)**	(3.519.374)
Net assets	**5.727.962**	5.281.608
Group's ownership	**20%**	20%
Group's share in associates' net assets	**1.145.592**	1.056.322

Consolidated income statement	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Revenue	**41.078.427**	47.099.085
Income for the year	**430.452**	742.319
Group's share in associates' profit for the year	**86.090**	148.464

Financial information on AES Entek which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2013**	December 31, 2012
Total assets	**882.726**	982.348
Total liabilities	**(268.578)**	(412.080)
Net assets	**614.148**	570.268
Group's ownership	**24,81%**	24,81%
Group's share in associates' net assets	**152.370**	141.483
Goodwill	**32.023**	32.023
Group's total share	**184.393**	173.506

Consolidated income statement	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Revenue	**341.534**	308.375
Loss for the year	**(99.370)**	(55.969)
Group's share in associates' loss for the period	**(24.654)**	(13.886)

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

12. EQUITY INVESTMENTS (CONTINUED)

Financial information on Opet Aygaz Gayrimenkul A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2013**
Total assets	101.896
Total liabilities	(11.660)
Net assets	**90.236**
Group's ownership	**50%**
Group's share in associates' net assets	**45.118**

Consolidated income statement	**January 1 - December 31, 2013**
Revenue	-
Income for the year	236
Group's share in associates' profit for the year	**118**

Financial information on Zinerji A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2013**	December 31, 2012
Total assets	**3.732**	649
Total liabilities	**(69)**	-
Net assets	**3.663**	649
Group's ownership	**56%**	56%
Group's share in associates' net assets	**2.051**	363

Consolidated income statement	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Revenue	**-**	-
Income for the year	**3.013**	(6)
Group's share in associates' profit for the year	**1.688**	(3)

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2013	16.204	109.330	69.165	1.535.065	201.546	51.601	24.109	15.512	2.022.532
Additions	-	-	-	1.496	1.685	784	-	72.519	76.484
Transfers (*)	-	7.761	1.560	57.602	4.338	3.468	805	(76.130)	(596)
Disposals	-	(1.915)	(118)	(38.399)	(1.969)	(2.811)	(195)	-	(45.407)
Ending balance as of December 31, 2013	**16.204**	**115.176**	**70.607**	**1.555.764**	**205.600**	**53.042**	**24.719**	**11.901**	**2.053.013**
Accumulated depreciation									
Opening balance as of January 1, 2013	-	46.118	43.346	1.170.826	107.113	37.883	22.319	-	1.427.605
Charge of the period	-	4.044	1.965	56.070	9.936	3.793	724	-	76.532
Disposals	-	(1.393)	(95)	(34.420)	(1.733)	(2.722)	(91)	-	(40.454)
Ending balance as of December 31, 2013	**-**	**48.769**	**45.216**	**1.192.476**	**115.316**	**38.954**	**22.952**	**-**	**1.463.683**
Net book value as of December 31, 2013	**16.204**	**66.407**	**25.391**	**363.288**	**90.284**	**14.088**	**1.767**	**11.901**	**589.330**

(*) TL 1.025 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets. Remaining balance amounting to TL 429 thousand, consists of the spare parts and maintenance equipments which were earlier accounted under "inventories" and have been reclassified to plant, machinery, equipment and LPG cylinders under the account "property, plant and equipment" in 2013.

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(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2012	15.531	101.381	64.535	1.487.558	229.503	49.784	22.698	17.849	1.988.839
Additions	-	308	1.244	14.402	6.690	637	1.356	72.234	96.871
Transfers (*)	673	7.777	3.416	56.530	3.154	4.992	655	(74.571)	2.626
Disposals	-	(136)	(30)	(23.425)	(37.801)	(3.812)	(600)	-	(65.804)
Ending balance as of December 31, 2012	16.204	109.330	69.165	1.535.065	201.546	51.601	24.109	15.512	2.022.532
Accumulated depreciation									
Opening balance as of January 1, 2012	-	42.492	41.503	1.136.816	135.444	38.048	21.730	-	1.416.033
Charge of the period	-	3.732	1.848	54.524	8.970	3.548	724	-	73.346
Disposals	-	(106)	(5)	(20.514)	(37.301)	(3.713)	(135)	-	(61.774)
Ending balance as of December 31, 2012	-	46.118	43.346	1.170.826	107.113	37.883	22.319	-	1.427.605
Net book value as of December 31, 2012	16.204	63.212	25.819	364.239	94.433	13.718	1.790	15.512	594.927

(*) TL 867 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets. On the consolidated balance sheet as of December 31, 2012, in accordance with the amendments in TAS 16 Property, Plant and Equipment, the spare parts and maintenance equipments amounting to TL 3.493 thousand which were earlier accounted under "inventories", have been reclassified to plant, machinery, equipment and LPG cylinders under the account "property, plant and equipment".

(Amounts expressed in thousands of Turkish Lira ("TL")
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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In year 2013, the Group has not capitalized any borrowing cost (2012: none).

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2013	December 31, 2012
Land improvements	12.732	9.476
Buildings	16.396	15.812
Plant, machinery, equipment and LPG cylinders	827.750	780.063
Vehicles and vessels	45.929	52.175
Furniture and fixtures	28.517	29.291
Leasehold improvements	21.664	21.723
	952.988	908.540

As of December 31, 2013 and 2012, the details of depreciation expenses are as follows:

	January 1 - December 31 2013	January 1 - December 31, 2012
Cost of sales	59.330	58.633
Cost of services rendered	4.817	4.801
General and administrative expenses	5.842	3.899
Selling, marketing and distribution expenses	5.390	5.213
Capitalized on cylinders	1.153	800
	76.532	73.346

14. INTANGIBLE ASSETS

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2013	52.127	52.127
Transfers (*)	1.025	1.025
Ending balance as of December 31, 2013	53.152	53.152
Accumulated depreciation		
Opening balance as of January 1, 2013	16.982	16.982
Charge for the period	5.608	5.608
Ending balance as of December 31, 2013	22.590	22.590
Carrying value as of December 31, 2013	30.562	30.562

(*) TL 1.025 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

14. INTANGIBLE ASSETS (CONTINUED)

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2012	51.323	51.323
Additions	231	231
Transfers (*)	867	867
Disposals	(294)	(294)
Ending balance as of December 31, 2012	52.127	52.127
Accumulated depreciation		
Opening balance as of January 1, 2012	11.652	11.652
Charge for the period	5.581	5.581
Disposals	(251)	(251)
Ending balance as of December 31, 2012	16.982	16.982
Carrying value as of December 31, 2012	35.145	35.145

(*) TL 867 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

As of December 31, 2013 and 2012, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
General and administrative expenses	**5.608**	5.581
	5.608	5.581

15. CONTINGENT LIABILITIES, CONTINGENT ASSETS

Details of contingent liabilities as of December 31, 2013 and 2012 are as follows:

Guarantees given	**December 31, 2013**	December 31, 2012
Letter of guarantees given to customs for gas import	**234.171**	31.916
Other letter of guarantees given	**18.180**	13.410
Total guarantees given	**252.351**	45.326

The liability for environmental pollution:

According to the effective environmental laws, the Group is responsible for the environmental pollution it causes as a result of its operational activities without seeking a reason of defaulting. The Group may be fined with indemnity if the group causes an environmental pollution. There is no case opened against the Group accordingly as of the consolidated balance sheet date, the Group does not have a liability for environmental pollution.

(Amounts expressed in thousands of Turkish Lira ("TL")
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15. CONTINGENT LIABILITIES, CONTINGENT ASSETS (CONTINUED)

National inventory reserve liability:

Oil refineries, licensed oil and LPG distributers should carry at least equivalent of 20 times their average daily sales of inventory in their tankers or the rented tankers of licensed third parties.

Commitments of EYAŞ resulting from acquisition of TÜPRAŞ:

The agreements of EYAŞ related with the loans taken for TÜPRAŞ acquisition have certain covenants regarding dividend distribution of EYAŞ and usage of dividend payments of TÜPRAŞ. Moreover, EYAŞ has various financial and non-financial commitments related to these loans and acquisition of TÜPRAŞ. If these commitments are not met by EYAŞ, the financial institutions have rights to recall these loans.

15. PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (CONTINUED)

The details of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	December 31, 2013				December 31, 2012			
	Euro guarantees	USD guarantees	TL guarantees	TL total	Euro guarantees	USD guarantees	TL guarantees	TL total
A. GPMs given on behalf of the Company's legal personality	32.625	4.172	215.554	252.351	26.303	3.341	15.682	45.326
B. GPMs given in favor of subsidiaries included in full consolidation	-	-	-	-	-	-	-	-
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Other GPM's	-	-	-	-	-	-	-	-
i. - GPMs given in favor of parent company	-	-	-	-	-	-	-	-
ii. - GPMs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-
iii. - GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total amount of GPM	32.625	4.172	215.554	252.351	26.303	3.341	15.682	45.326

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

16. LONG TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long term provisions for employee benefits as of December 31, 2013 and 2012 are as follows:

Long term provision for employee benefits	**December 31, 2013**	December 31, 2012
Retirement pay provision	**20.255**	19.901
Vacation pay provision	**4.230**	2.321
Total long term provision for employee benefits	**24.485**	22.222

Retirement pay provision:

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TL 3.254,44
(December 31, 2012: full TL 3.033,98) for each year of service at December 31, 2013.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2013	2012
Net discount rate (%)	**4,78**	3,86
Turnover rate related to the probability of retirement (%)	**95,10 - 97,82**	93,49 – 97,86

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of retirement pay provision for the period ended December 31, 2013 and 2012 is as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Opening balance at January 1	**19.901**	16.756
Charge for the period	**5.109**	6.045
Actuarial (gain) / loss	**(1.643)**	1.358
Retirement pay paid	**(3.112)**	(4.258)
Closing balance at December 31	**20.255**	19.901

(Amounts expressed in thousands of Turkish Lira ("TL")
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17. OTHER SHORT TERM PROVISIONS

Other short term provisions	December 31, 2013	December 31, 2012
Special Consumption Tax (SCT) provision on imported LPG	64.554	32.820
Provision for general and administrative expenses	11.592	252
Provision for selling and marketing expenses	2.214	168
Provision for EMRA contribution	3.653	4.116
Provision for lawsuit	3.360	2.377
Total other short term provisions	85.373	39.733

Movement of SCT provision on imported LPG	January 1-December 31, 2013	January 1-December 31, 2012
Opening balance	32.820	38.772
Paid in current year	(32.820)	(38.772)
Provision for current year	64.554	32.820
Closing balance	64.554	32.820

Movement of provision for general and administrative expenses	January 1-December 31, 2013	January 1-December 31, 2012
Opening balance	252	299
Paid in current year	(252)	(299)
Provision for current year	11.592	252
Closing balance	11.592	252

18. OTHER CURRENT ASSETS AND LIABILITIES

Other current assets	December 31, 2013	December 31, 2012
VAT carried forward	3.189	3.514
Fuel used in shipping operations	2.676	1.867
Income accrual	166	1.175
Other current assets	691	1.176
Total other current assets	6.722	7.732

Other current liabilities	December 31, 2013	December 31, 2012
Taxes and funds payable	63.359	95.808
Other liabilities	4.255	1.377
Total other current liabilities	67.614	97.185

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19. PREPAID EXPENSES

As of December 31, 2013 and 2012, the details of prepaid expenses in current assets are as follows:

Prepaid expenses	December 31, 2013	December 31, 2012
Prepaid expenses	37.385	34.602
Advances given	2.377	3.419
Total prepaid expenses	39.762	38.021

As of December 31, 2013 and 2012, the details of prepaid expenses in non-current assets are as follows:

Prepaid expenses	December 31, 2013	December 31, 2012
Prepaid expenses	49.134	48.289
Advances given	2	2
Total prepaid expenses	49.136	48.291

20. DEFERRED INCOME

Deferred income	December 31, 2013	December 31, 2012
Advances taken	1.663	1.545
Prepaid income	1.305	936
Total deferred income	2.968	2.481

21. SHARE CAPITAL

As of December 31, 2013 and 2012 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2013	Participation rate	December 31, 2012
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	24,52%	73.546	24.52%	73.546
Temel Ticaret ve Yatırım A.Ş.	5,29%	15.884	5,29%	15.884
Koç Family	5,24%	15.705	5,24%	15.705
Publicly held (*)	24,27%	72.811	24,27%	72.811
Nominal capital	100,00%	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

(*) TL 2.725.041,31 under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

(**) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

(Amounts expressed in thousands of Turkish Lira ("TL")
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21. SHARE CAPITAL (CONTINUED)

Restricted reserves assorted from the profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to Turkish Commercial Code, legal reserves may only be used as long as it does not exceed 50% of the paid capital. It may not be used under any circumstances.

The details of the restricted reserves are stated below:

	December 31, 2013	December 31, 2012
Legal reserves (*)	139.241	97.659
Gain on sale of subsidiary share that will be added to capital	138.634	210.187
	277.875	307.846

(*) As explained in Note 1, as of January 22, 2013 Mogaz has merged with Aygaz A.Ş. through a whole take-over of all assets and liabilities. The increase amounting to TL 13.082 thousand in 2013 is related with merger.

Profit distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Total net statutory profit for the year, after deducting the prior year losses and other sources that are subject the profit distribution as of December 31, 2013 amounts to TL 1.156.262. (December 31, 2012: TL 1.227.398). TL 209.043 thousand of such sources from adjustment differences and TL 165.839 thousand from other capital reserves are subject to corporation tax when distributed.

Dividends paid

In the Ordinary General Meeting held on April 3, 2013, the Company decided to reserve TL 28.500 thousand as legal reserves and distribute TL 300.000 thousand gross dividends from the net distributable income of 2012. According to this decision, the Company has begun dividend payments on April 9, 2013.

(Amounts expressed in thousands of Turkish Lira ("TL")
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21. SHARE CAPITAL (CONTINUED)

Gains and losses from the revaluation and reclassification of marketable securities:

Gains and losses from the revaluation and reclassification of marketable securities are related with financial assets and details are as follows:

	December 31, 2013	December 31, 2012
Koç Finansal Hizmetler A.Ş.	166.865	213.653
	166.865	213.653

Currency translation adjustment

Currency translation adjustment as of December 31, 2013 represent, the Company's share of currency translation adjustment of equity investment.

Financial risk hedging reserve:

Fair value of losses resulting from the interest rate swap agreements made for hedging against interest rate risks relating to the loan used by Enerji Yatırımları A.Ş. as of December 31, 2010 for the purchase of 51% of TÜPRAŞ shares is shown as "Financial Risk Hedging Fund" in consolidated financial statements.

Non-controlling interest:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Opening balance	523	452
Non-controlling interest on current year profit	82	35
Transactions with non-controlling interests	-	36
Closing balance	605	523

22. REVENUE AND COST OF GOODS SOLD

Revenue	January 1 - December 31, 2013	January 1 - December 31, 2012
Domestic sales	5.666.647	5.159.264
Export sales	611.454	700.264
Sales returns (-)	(8.604)	(9.919)
Sales discounts (-)	(264.513)	(263.550)
Total revenue, net	6.004.984	5.586.059
Sale of goods	5.138.971	5.048.816
Sale of merchandises	810.530	484.830
Sale of services	55.483	52.413
Revenue	6.004.984	5.586.059

(Amounts expressed in thousands of Turkish Lira ("TL")
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22. REVENUE AND COST OF GOODS SOLD (CONTINUED)

	January 1 - December 31, 2013	January 1 - December 31, 2012
Cost of sales:		
Raw materials used	4.513.952	4.460.985
Production overheads	63.098	64.883
Depreciation expenses	59.330	58.633
Personnel expenses	38.479	29.868
Change in finished goods inventories	(5.496)	486
Change in work in progress inventories	(332)	(85)
	4.669.031	4.614.770
Cost of services rendered		
Production overheads	23.371	23.365
Personnel expenses	9.972	8.894
Depreciation expenses	4.817	4.801
	38.160	37.060
Cost of merchandises sold	726.449	413.160
Total cost of sales	5.433.640	5.064.990

23. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	January 1 - December 31, 2013	January 1 - December 31, 2012
Marketing, sales and distribution expenses	229.744	213.651
General administrative expenses	167.087	137.644
Research and development expenses	2.984	2.521
Total	399.815	353.816

a) Detail of marketing, sales and distribution expenses

	January 1 - December 31, 2013	January 1 - December 31, 2012
Transportation, distribution and warehousing expenses	103.367	96.276
Sales expenses	48.568	37.938
Personnel expenses	33.324	30.639
Advertising and promotion expenses	28.906	28.488
Transportation expenses	6.372	6.197
Depreciation and amortization expenses	5.390	5.213
License expenses	3.675	4.169
Other marketing, sales and distribution expenses	142	4.731
Total marketing, sales and distribution expenses	229.744	213.651

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

23. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

b) Detail of general administrative expenses

	January 1 - December 31, 2013	January 1 - December 31, 2012
Personnel expenses	71.284	59.691
Tax expenses	20.747	14.199
Depreciation and amortization expenses	11.450	9.480
Information technology expenses	7.384	7.378
Transportation expenses	6.467	6.253
Consultancy expenses	5.370	4.543
Donation and aids	5.120	4.767
Insurance expenses	4.694	3.116
Maintenance expenses	3.399	4.807
Lawsuit, consultancy and auditing expenses	2.491	3.321
Communication expenses	2.022	2.484
Post office expenses	1.957	1.746
Rent expenses	1.895	1.184
Public relations activities expenses	1.733	1.274
Other administrative expenses	21.074	13.401
Total general administrative expenses	167.087	137.644

c) Detail of research and development expenses

	January 1 - December 31, 2013	January 1 - December 31, 2012
Outsourced research and development expenses	2.984	2.521
Total research and development expenses	2.984	2.521

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

24. EXPENSES RELATED TO THEIR NATURE

	January 1 - December 31, 2013	January 1 - December 31, 2012
Personnel expenses	104.608	90.330
Transportation, distribution and warehousing expenses	103.367	96.276
Sales expenses	48.568	37.938
Advertising and promotion expenses	28.906	28.488
Tax expenses	20.747	14.609
Depreciation and amortization expenses	16.840	14.693
Transportation expenses	12.840	12.450
Information technology expenses	7.384	7.378
Consultancy expenses	5.370	4.543
Donation and aids	5.120	4.767
Insurance expenses	4.694	3.809
License expenses	3.675	4.169
Maintenance expenses	3.449	5.677
Outsourced research and development expenses	2.984	2.521
Lawsuit, consultancy and auditing expenses	2.491	3.719
Communication expenses	2.022	2.484
Rent expenses	1.895	1.642
Public relations activities expenses	1.733	1.274
Other	23.122	17.049
Total	399.815	353.816

25. OTHER OPERATING INCOME / EXPENSES

Other operating income and profit for the years ended December 31, 2013 and 2012 are as follows:

Other operating income:	January 1 - December 31, 2013	January 1 - December 31, 2012
Foreign exchange gains arising from trading activities	17.155	20.826
Income generated from maturity differences of sales	15.310	18.622
Dividend income	5.346	106
Fair value differences on forward transactions	3.179	181
Rent income	2.294	2.261
Income from port services	2.119	2.509
Gain on sale of scrap	1.297	1.703
Demurrage income	1.004	4.048
LPG pipeline usage income	846	1.102
Vessel service income	529	1.316
Reversal of provisions	296	2.088
Commission income	-	1.163
Other income and profits	8.878	7.846
Total	58.253	63.771

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

25. OTHER OPERATING INCOME / EXPENSES (CONTINUED)

Other operating expense and loss for the period ended December 31, 2013 and 2012 are as follows:

Other operating expenses:	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Foreign exchange losses arising from trading activities	**42.090**	4.593
Expenses from maturity differences of purchases on credit	**12.464**	14.094
Provision expenses	**2.897**	3.295
Fair value differences on forward transactions	**300**	882
Other operating expenses	**1.847**	2.285
Total	**59.598**	25.149

26. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities:	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Income from sales of property plant and equipment	**1.258**	4.293
Total	**1.258**	4.293

Expenses from investment activities:	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Expenses from sales of property plant and equipment	**234**	534
Total	**234**	534

27. FINANCIAL INCOME

Financial income for the period ended December 31, 2013 and 2012 are as follows:

Financial income	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Foreign exchange translation gain	**10.908**	2.187
Interest income	**7.180**	15.433
Other	**1.277**	2.794
Total	**19.365**	20.414

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

28. FINANCIAL EXPENSE

Financial expense for the period ended December 31, 2013 and 2012 are as follows:

Financial expense	January 1 - December 31, 2013	January 1 - December 31, 2012
Interest expense	9.122	-
Foreign exchange translation loss	7.734	19.747
Total	16.856	19.747

29. TAX ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Current tax liability:		
Current corporate tax provision	32.361	38.247
Less: Prepaid taxes and funds	(29.712)	(34.788)
Current tax liability	2.649	3.459

Tax expense	January 1- December 31, 2013	January 1- December 31, 2012
Current corporate tax provision	(32.361)	(38.247)
Deferred tax income	737	(1.664)
	(31.624)	(39.911)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2013 is 20% (2012: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

29. TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20%. (December 31, 2012: 20%).

Deferred tax (assets)/liabilities:	**December 31, 2013**	December 31, 2012
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	34.721	33.678
Revaluation fund on financial assets	8.782	11.243
Valuation of inventories	249	141
Provision for employment termination benefits	(3.963)	(3.921)
Carry forward tax losses	(365)	-
Carry forward tax losses used	-	(495)
Other	(2.721)	(1.073)
	36.703	39.573

In Turkey, since the companies cannot declare consolidated tax refund, subsidiaries with deferred tax assets and subsidiaries with deferred tax liabilities cannot be netted off and are shown separately.

	December 31, 2013			December 31, 2012		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(8.006)	43.217	35.211	(4.371)	37.846	33.475
Mogaz Petrol Gazları A.Ş. (*)	-	-	-	(2.464)	7.112	4.648
Akpa A.Ş.	(517)	278	(239)	(282)	210	(72)
Aygaz Doğal Gaz	(603)	2.334	1.731	(714)	2.236	1.522
	(9.126)	45.829	36.703	(7.831)	47.404	39.573

(*) As explained in Note 1, as of January 22, 2013 Mogaz has merged with Aygaz A.Ş. through take-over of all assets and liabilities as a whole.

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets) / liabilities :	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Opening balance on January 1	39.573	34.541
Deferred tax expense / (income)	(737)	1.664
Deferred tax income/expense reflected in comprehensive income statement:	(2.133)	3.368
Actuarial gain/loss arising from defined benefit plans	*329*	*(276)*
Hedging gains/losses	*(2.462)*	*3.644*
Closing balance on December 31	36.703	39.573

(Amounts expressed in thousands of Turkish Lira ("TL")
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29. TAX ASSETS AND LIABILITIES (CONTINUED)

Tax reconciliation :

	January 1 - December 31, 2013	January 1 - December 31, 2012
Profit before tax	236.959	344.876
Income tax rate	20%	20%
Expected tax expense	47.392	68.975
Tax effects of:		
-revenue that is exempt from taxation	(10.708)	(5.611)
-expenses that are not deductible in determining taxable profit	1.897	2.007
-consolidation eliminations without tax effect	(7.775)	(25.839)
-carry forward tax losses used	-	279
Other	818	100
Tax expense in the income statement	31.624	39.911

30. EARNINGS PER SHARE

	January 1 - December 31, 2013	January 1 - December 31, 2012
Average number of ordinary shares outstanding during the period (one thousand)	300.000	300.000
Net profit for the year attributable equity holders of the parent company	205.253	304.930
Basic earnings per thousand shares (TL)	0,684177	1,016433

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. TRANSACTIONS WITH RELATED PARTIES

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç family or entities owned by Koç family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties.

				December 31, 2013
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	8.347	-	75.991	-
Demir Export A.Ş.	4.762	-	-	-
Ford Otomotiv Sanayi A.Ş.	975	-	6	-
Tat Gıda Sanayi A.Ş.	448	-	-	-
Arçelik A.Ş.	447	-	22.223	-
Opet Petrolcülük A.Ş.	161	-	45.553	-
Otokoç Otomotiv Tic. ve San. A.Ş.	86	-	1.708	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	49	-	2.306	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	7.453	-
Ram Dış Ticaret A.Ş.	-	-	5.827	-
Other	1.443	-	2.405	-
Shareholders				
Koç Holding A.Ş.	-	-	244	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	1.642	-	459	-
	18.360		164.175	

(*) Group companies include Koç Group companies.
(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

As of December 31, 2013, the Company has dividend payables amounting to TL 434 thousand (December 31, 2012 – TL 310 thousand), which is reflected within other payables at the consolidated balance sheet.

				December 31, 2012
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	10.138	-	61.650	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	1.648	-	6.372	-
Ford Otomotiv Sanayi A.Ş.	882	-	358	-
Arçelik A.Ş.	714	-	19.454	-
Otokar Otobüs Karoseri Sanayi A.Ş.	496	-	-	-
Opet Petrolcülük A.Ş.	167	-	19.430	-
Other	1.165	-	10.602	-
Shareholders				
Koç Holding A.Ş.	-	-	173	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş	31	-	81	-
	15.241	-	118.120	-

(*) Group companies include Koç Group companies.
(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	January 1 - December 31, 2013			
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	756.878	272.006	1.987	1.851
Opet Petrolcülük A.Ş.(**)	138.859	1.445	1.497	-
Arçelik A.Ş.	83.098	4.908	156	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	16.606	9	19.745	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	432	87	3.968	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	11	6	2.241	-
Otokoç Otomotiv Tic. ve San. A.Ş.	9	2.393	3.846	-
Ford Otomotiv Sanayi A.Ş.	-	15.333	-	-
Demir Export A.Ş.	-	18.808	-	-
Tat Gıda Sanayi A.Ş.	-	12.183	-	-
Setur Servis Turistik A.Ş.	-	66	3.231	-
Vehbi Koç Vakfı	-	2	4.047	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	3.632	-
Callus Bilgi ve İletişim Hizmetleri A.Ş. (***)	-	-	654	-
Other	26.300	19.235	2.293	-
Shareholders				
Koç Holding A.Ş.	-	29	5.370	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	-	16.106	2.414	-
	1.022.193	362.616	55.081	1.851

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2013 is TL 88.432 thousand (December 31, 2012 - TL 81.873 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) The Company has been sold to a non-group company in July, 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	January 1 - December 31, 2012			
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	644.886	259.129	1.626	864
Opet Petrolcülük A.Ş.	105.592	835	2.972	-
Arçelik A.Ş.	82.539	4.853	57	-
Ram Dış Ticaret A.Ş.	22.260	-	221	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	16.491	357	23.611	17
Opet-Fuchs Madeni Yağlar	656	17	24	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	308	38	7.685	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	274	301	16	-
Otokoç Otomotiv Tic. ve San. A.Ş.	31	2.409	4.278	-
Ford Otomotiv Sanayi A.Ş.	-	15.026	315	-
Demir Export A.Ş.	-	7.016	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	5.909	3	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	3.375	71	-
Türk Traktör ve Ziraat Makinaları A.Ş.	-	2.723	-	-
Harranova Besi ve Tarım Ürünleri A.Ş.	-	2.172	-	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	-	854	7	-
Altınyunus Çeşme Turistik Tesisler. A.Ş.	-	590	-	-
Yapı Kredi Bankası A.Ş.	-	366	-	-
Marmaris Altınyunus Turistik Tesisleri A.Ş.	-	335	9	-
Tat Gıda Sanayi A.Ş.	-	222	-	-
Vehbi Koç Vakfı Koç Üniversitesi	-	141	402	-
Yapı Kredi Sigorta A.Ş.	-	38	57	-
Düzey Tüketim Malları Pazarlama A.Ş.	-	36	565	-
Setur Servis Turistik A.Ş.	-	34	3.036	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	19	1.185	-
Ark İnşaat A.Ş.	-	18	-	-
Divan Turizm İşletmeleri	-	304	231	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	3.446	-
Other	129	131	2.705	-
Shareholders				
Koç Holding A.Ş.	-	22	4.554	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	-	18	774	-
	873.166	307.288	57.850	881

(*) Group companies include Koç Group companies.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

			January 1 - December 31, 2013	
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	470	16	-	-
Küsel Ltd.Şti.	2	-	-	-
Yapı Kredi Bankası A.Ş.	-	152	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	974	394	110
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.698	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	415	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	562	-
Other	-	-	276	-
Shareholders				
Temel Ticaret ve Yatırım A.Ş.	-	-	2	-
Investments accounted under equity method				
Zinerji Enerji Sanayi ve Ticaret A.Ş.	3	-	-	-
	475	1.142	3.347	110

			January 1 - December 31, 2012	
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	421	18	-	36
Küsel Ltd. Şti.	2	-	-	-
Yapı Kredi Bankası A.Ş.	-	342	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	108	1.283	277
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.695	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	230	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	30	2.138
Koçtaş Yapı Marketleri Ticaret A.Ş.	-	-	3	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	73	-
THY Opet Havacılık Yakıtları A.Ş.	-	-	-	14
Shareholders				
Temel Ticaret ve Yatırım A.Ş.	-	46	-	-
Investments accounted under equity method				
Zinerji Enerji Sanayi ve Ticaret A.Ş.	3	-	-	-
	426	514	3.314	2.465

(*) Group companies include Koç Group companies.

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31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	January 1 - December 31, 2013			
Financial and other transactions with related parties	**Financial income**	**Financial expense**	**Other income**	**Other expense**
Group companies (*)				
Yapı Kredi Bankası A.Ş.	12.200	2.359	-	-
Opet Petrolcülük A.Ş.	-	-	1.309	-
Other	-	-	110	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş	1.277	-	-	-
	13.477	2.359	1.419	-

	January 1 - December 31, 2012			
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	11.889	9.095	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	1.143	-
Opet Petrolcülük A.Ş.	-	-	23	-
THY-Opet Havacılık Yakıtları A.Ş	-	-	8	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş	2.794	-	-	-
	14.683	9.095	1.174	-

(*) Group companies include Koç Group companies.

Cash at banks	**December 31, 2013**	December 31, 2012
Group companies (*)		
Yapı Kredi Bankası A.Ş.	129.151	76.894

Credit card receivables	**December 31, 2013**	December 31, 2012
Group companies (*)		
Yapı Kredi Bankası A.Ş.	24.274	20.442

(*) Group companies include Koç Group companies.

(Amounts expressed in thousands of Turkish Lira ("TL")
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31. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Benefits to Top Management:

The Group has determined senior manager squad as board directors members, general manager and vice general managers.

Benefits to top management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors.

Total of the benefit provided to senior management of the Group as of December 31, 2013 is TL 31.940 thousand (2012: TL 21.879 thousand).

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net financial debt/total equity ratio parallel to other companies in the sector. This ratio is the calculated as net debt divided by the equity amount. Net debt is calculated as total financial debt amount less cash and cash equivalents.

Risk management is managed by treasury department based on the policies approved by the board of directors. Group's treasury department defines and reviews the financial risk and uses tools to minimize the risk by collaborating with Group's operational units based on such risk policies. Board of directors prepares written procedures or general policies related with the risk management including currency risk, interest risk, using of derivative and non-derivative instruments and to evaluate cash surplus.

	December 31, 2013	December 31, 2012
Total short-term and long-term borrowings	237.807	5.810
Less: Cash and cash equivalents	(173.054)	(125.365)
Net debt	64.753	-
Total shareholder's equity	2.243.576	2.380.535
Net financial debt / equity ratio	3%	-

b) Financial risk factors

The risks of the Group resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2013	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Receivables maximum net credit risk as of balance sheet date (*)	18.360	355.850	-	4.582	140.136	32.562
- The part of maximum risk under guarantee with collateral etc.		245.269	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18.360	311.623	-	4.582	140.136	32.562
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	44.227	-	-	-	-
- The part under guarantee with collateral etc-	-	23.696	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	16.694	-	-	-	-
- Impairment (-)	-	(16.694)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2012	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Receivables maximum net credit risk as of balance sheet date (*)	15.241	293.455	32.750	3.990	99.545	25.588
- The part of maximum risk under guarantee with collateral etc.	-	195.283	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15.241	256.213	32.750	3.990	99.545	25.588
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	37.242	-	-	-	-
- The part under guarantee with collateral etc-	-	24.625	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	15.558	-	-	-	-
- Impairment (-)	-	(15.558)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2013	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	32.643	-	-	-	-	32.643
Past due 1-3 months	8.043	-	-	-	-	8.043
Past due 3-12 months	1.631	-	-	-	-	1.631
Past due 1-5 years	1.908	-	-	-	-	1.908
Past due more than 5 years	2	-	-	-	-	2
Total past due	44.227	-	-	-	-	44.227
The part under guarantee with collateral	23.696	-	-	-	-	23.696

December 31, 2012	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	25.836	-	-	-	-	25.836
Past due 1-3 months	7.545	-	-	-	-	7.545
Past due 3-12 months	3.208	-	-	-	-	3.208
Past due 1-5 years	653	-	-	-	-	653
Past due more than 5 years	-	-	-	-	-	-
Total past due	37.242	-	-	-	-	37.242
The part under guarantee with collateral	24.625	-	-	-	-	24.625

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the Board of Directors. The Board of Directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Group's derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities are presented according to undiscounted net cash inflow and cash outflow. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

December 31, 2013

Contractual maturity analysis	**Carrying value**	**Total cash outflow according to the contract (I+II+III+IV)**	**Less than 3 months (I)**	**3 – 12 months (II)**	**1-5 years (III)**	**More than five years (IV)**
Non-derivative financial liabilities						
Short term and long term borrowings	237.807	251.337	42.873	53.338	155.126	-
Trade payables	376.346	376.346	376.346	-	-	-
Other payables	74.192	74.192	578	-	-	73.614
Other liabilities	67.614	67.614	67.614	-	-	-
Total liabilities	755.959	769.489	487.411	53.338	155.126	73.614

December 31, 2012

Contractual maturity analysis	Carrying value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1-5 years (III)	More than five years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings	5.810	5.810	5.810	-	-	-
Trade payables	268.580	268.580	268.580	-	-	-
Other payables	71.086	71.086	391	-	-	70.695
Other liabilities	97.185	97.185	97.185	-	-	-
Total liabilities	442.661	442.661	371.966	-	-	70.695

Derivative Instruments (*)	Book value	Cash flow according to contract	Less than 3 months	3 – 12 months	1 – 5 years	Above 5 years
Derivative cash inflows	-	25.723	23.120	2.603	-	-
Derivative cash outflows	-	(25.985)	(23.339)	(2.646)	-	-
Derivative instruments, net	(135)	(262)	(219)	(43)	-	-

(*) The amounts are cash flows according to contract, which have not been discounted.

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3) Market risk management

The Group's activities are exposed to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios.

There has been no change in the Group's exposure to market risks or the manner which it manages and measures the risk compared to the previous year.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.1) Foreign currency risk management

The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "forward foreign exchange contracts".

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

December 31, 2013		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	26.346	22.706	3.640	-
2.a	Monetary financial assets	48.163	47.713	203	247
2.b	Non monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets**	**74.509**	**70.419**	**3.843**	**247**
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non current assets**	**-**	**-**	**-**	**-**
9.	**Total assets**	**74.509**	**70.419**	**3.843**	**247**
10.	Trade payables	(136.707)	(136.605)	(56)	(46)
11.	Financial liabilities	(85.372)	(85.372)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non monetary financial liabilities	-	-	-	-
13.	**Current liabilities**	**(222.079)**	**(221.977)**	**(56)**	**(46)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non monetary financial liabilities	-	-	-	-
17.	**Non current liabilities**	**-**	**-**	**-**	**-**
18.	**Total liabilities**	**(222.079)**	**(221.977)**	**(56)**	**(46)**
19.	Net asset / liability position of off balance sheet asset and liabilities (19a-19b)	-	-	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	-	-	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	**Net foreign currency asset / liability position**	**(147.570)**	**(151.558)**	**3.787**	**201**
21.	**Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)**	**(147.570)**	**(151.558)**	**3.787**	**201**
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	**Export**	**611.454**	**593.180**	**18.274**	**-**
26.	**Import**	**2.197.655**	**2.188.288**	**8.569**	**798**

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of December 31, 2013, the Group has LPG amounting to TL 151.698 thousand (December 31, 2012, TL 110.739 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2012		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	30.881	30.352	529	-
2.a	Monetary financial assets	23.209	21.266	1.780	163
2.b	Non monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	54.090	51.618	2.309	163
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non current assets	-	-	-	-
9.	Total assets	54.090	51.618	2.309	163
10.	Trade payables	(100.719)	(99.669)	(1.007)	(43)
11.	Financial liabilities	-	-	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non monetary financial liabilities	-	-	-	-
13.	Current liabilities	(100.719)	(99.669)	(1.007)	(43)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non monetary financial liabilities	-	-	-	-
17.	Non current liabilities	-	-	-	-
18.	Total liabilities	(100.719)	(99.669)	(1.007)	(43)
19.	Net asset / liability position of off balance sheet asset and liabilities (19a-19b)	25.723	25.723	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	25.723	25.723	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	(20.906)	(22.328)	1.302	120
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(46.629)	(48.051)	1.302	120
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	700.264	686.898	13.366	-
26.	Import	2.378.250	2.371.886	5.614	750

Currency forward agreements

As of December 31, 2013 there is not any currency forward agreement. Currency forward agreements which are valid as of December 31, 2012 is summarized at the table below.

					December 31, 2012
Maturity	Parity	Type of contract	Transaction	Total amount	Currency
1 to 3 months	1,784 - 1,7965	Forward	Sells TL, buys USD	12.970	USD
3 to 6 months	1,8013	Forward	Sells TL, buys USD	1.460	USD

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity :

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit / loss and other equity.

				December 31, 2013
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(15.156)	15.156	(15.156)	15.156
Secured portion from USD risk	-	-	-	-
USD net effect	(15.156)	15.156	(15.156)	15.156
10% fluctuation of Euro rate				
Euro net asset/liability	379	(379)	379	(379)
Secured portion from Euro risk	-	-	-	-
Euro net effect	379	(379)	379	(379)
Total	(14.777)	14.777	(14.777)	14.777

				December 31, 2012
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(2.233)	2.233	(2.233)	2.233
Secured portion from USD risk	-	-	-	-
USD net effect	(2.233)	2.233	(2.233)	2.233
10% fluctuation of Euro rate				
Euro net asset/liability	130	(130)	130	(130)
Secured portion from Euro risk	-	-	-	-
Euro net effect	130	(130)	130	(130)
Total	(2.103)	2.103	(2.103)	2.103

32. NATURE AND THE LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Details of Group's financial instruments that are sensitive to interest rates are as follows:

Interest rate position table

	December 31, 2013	December 31, 2012
Fixed interest instruments		
Time deposits	123.949	66.399
Variable interest instruments		
Financial liabilities	-	-

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS (EXPLANATIONS RELATED TO FAIR VALUE AND HEDGE ACCOUNTING)

Financial instrument categories

December 31, 2013	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Fair value	Note
Financial assets							
Cash and cash equivalents	173.054	-	-	-	-	173.054	4
Trade receivables	-	374.210	-	-	-	374.210	8,31
Other financial assets	-	-	267.885	-	-	267.885	5
Other receivables	-	4.582	-	-	-	4.582	9
Financial liabilities							
Short term and long term borrowings	-	-	-	-	239.253	237.807	6
Trade payables	-	-	-	-	376.346	376.346	8,31
Liabilities for employee benefits	-	-	-	-	20.949	20.949	10
Other payables	-	-	-	-	74.192	74.192	9,31
Other liabilities	-	-	-	-	4.255	4.255	18

December 31, 2012	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Fair value	Note
Financial assets							
Cash and cash equivalents	125.365	-	-	-	-	125.365	4
Trade receivables	-	308.696	-	-	-	308.696	8,31
Other financial assets	-	-	317.258	-	-	317.258	5
Other receivables	-	36.740	-	-	-	36.740	9
Financial liabilities							
Short term and long term borrowings	-	-	-	-	5.810	5.810	6
Trade payables	-	-	-	-	268.580	268.580	8,31
Liabilities for employee benefits	-	-	-	-	13.724	13.724	10
Other payables	-	-	-	-	71.086	71.086	9,31
Other liabilities	-	-	-	-	1.377	1.377	18

(*) The Group believes the carrying value of its financial instruments are at fair value.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS (EXPLANATIONS RELATED TO FAIR VALUE AND HEDGE ACCOUNTING) (CONTINUED)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets at fair value are as follows:

Financial assets / (liabilities)			**Level of fair value as of reporting date**	
	December 31, 2013	**1st Level**	**2nd Level**	**3rd Level**
Available-for-sale financial assets (*)	**267.322**	**34**	**267.288**	**-**

Financial assets / (liabilities)			Level of fair value as of reporting date	
	December 31, 2012	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	316.694	32	316.662	-
Forward transactions	(135)	-	(135)	-

(*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 564 thousand as of December 31, 2013 (December 31, 2012 – TL 564 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

Information for reflecting financial assets and liabilities at fair value:

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

32. FINANCIAL INSTRUMENTS (EXPLANATIONS RELATED TO FAIR VALUE AND HEDGE ACCOUNTING) (CONTINUED)

Financial Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term.

As of December 31, 2013 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TL 152.402 thousand (Note 6), and TL 153.848 thousand respectively. Fair value is calculated by discounting the cash out flows regarding market interest rates.

33. SUBSEQUENT EVENTS

None.

34. OTHER SIGNIFICANT ISSUES AFFECTING THE FINANCIAL STATEMENTS OR THE OTHER ISSUES REQUIRED FOR CLARIFICATION OF FINANCIAL STATEMENTS

None.

Graphic Design: Demirbağ

Aygaz Headquarters
Büyükdere Caddesi No: 145-1
Zincirlikuyu 34394 İstanbul-Turkey
P: +90 212 354 15 15 **F:** +90 212 288 39 63
www.aygaz.com.tr

Aygaz Corporate Communications
Devrim Çubukçu, Manager

P: +90 212 354 15 95 **F:** +90 212 216 17 98
devrim.cubukcu@aygaz.com.tr

Aygaz Investor Relations
Mehmet Özkan, Manager

P: +90 212 354 16 57 **F:** +90 212 288 31 51
mehmet.ozkan@aygaz.com.tr

www.aygaz.com.tr

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